

EXECUTIVE COUNCIL

RESTRICTED

Title of Report: 10th European Development Fund – Single Programming Document.
Paper No: 57/09
Date: 18th March 2009
Report of: Head of Policy

1.0 Purpose

To obtain approval from EXCO on the attached Single Programming Document (SPD) that is to be submitted to the European Commission. This document (in two parts, Annexes 1 & 2) formalises the drawing down of the €4.13m in funds assigned as budgetary support* for the Falkland Islands through the Overseas Countries & Territories portion of the 10th European Development Fund.

2.0 Recommendations

- (a) It is recommended that ExCo approve the formal submission of these documents to the EC. This requires EXCO approval of the objectives (for EU purposes only) stated and measureable KPIs indicated within the SPD.
- (b) It is recommended that ExCo approve the Policy Unit recording and monitoring the drawing down of funds, advising the Treasury on potential changes to the assignment procedures and generally coordinating the process (including annual audits).

3.0 Summary of Financial Implications

The table below shows the figures assigned to underwrite existing budget items that fit within the objectives of the 10th EDF of ‘Trade Development and Capacity Building’.

	Summary					
	2008/9	2009/10	2010/11	2011/12	2012/13	Total
Operating Budget Support (£'s)	£1,883,605	£729,215	£257,000	£190,000	£190,000	£3,249,820
Operating Budget Support (€'s)	€2,393,751	€926,713	€326,606	€241,460	€241,460	€4,129,990
					Average £/€ Rate:	1.27

* ‘Budgetary support’ means that the funds are to cover already budgeted items; these are not available as incremental amounts on top of what is already available for projects.

4.0 Background

4.1 The Falkland Islands are entitled to apply for financial support from the European Development Fund. If the attached application is successful, access to funds occurs through a cyclical process.

4.2 We are currently on the 10th cycle, which runs from 2008-13 and within this FI have been assigned €4.13m as budgetary support. Budgetary support is the assignment of available funding towards particular budget items which meet the criteria prescribed by the 10th EDF's objective of 'Trade Development and Capacity Building' within the OCTs.

4.3 The attached Single Programming Document (parts A and B) detail the six areas of targeted development and objectives that we shall utilise these funds to underwrite. These cover: (a) Tourism growth; (b) Agricultural diversification; (c) Fisheries expansion and increasing local ownership; (d) supporting pre-feasibility study on Port Development; (e) Alternative & Renewable Energy; and (f) Development of a knowledge-based economy.

5.0 Financial Implications

5.1 The financial implications for this paper are positive in that it shall help access to €4.13m in budgetary support through the European Development Fund.

5.2 The intention is to draw these funds down in two tranches between 2009 (initial) and at the end of the 10th EDF by 2013.

5.3 The funds were assigned to already agreed budgetary items within the six areas identified above (running from 2008/9 through to 2012/13). This was done in conjunction with the Treasury and covers items that are likely to remain as budget items.

5.4 A formal monitoring process for the utilisation of the funding received has been developed to ensure that the annual external audit performed by EU representatives results in a favourable outcome. In order to achieve a positive audit report the process of tracking and monitoring the allocation and spending of EU funds has been agreed in cooperation with the Treasury.

5.5 The below table shows the split of the €4.13m in budgetary support by action area (totals match with the summary in section 3):

Territorial actions	2008/09	2009/10	2010/11	2011/12	2012/13
Development of seafood and related industries	£190,000 (€241,460)	£253,000 (€21,522)	£257,000 (€26,606)	£190,000 (€241,460)	£190,000 (€241,460)
Growth in long-stay tourism industry	£412,390 (€24,082)				
Improvement in the quality and returns from agricultural production	£1,075,000 (€1,366,154)	£400,000 (€08,336)			
Improve business skills within SME (including farm enterprises) participating or servicing export-related businesses including tourism	£30,000 (€8,125)	£30,000 (€8,125)			
Growth in utilization of alternative and renewal energy and biomass/waste management sector	£130,000 (€65,200)				
Improve capacity-building and support growth in activities in the knowledge-based and electronic economy.	£46,215 (€8,730)	£46,215 (€8,730)			
Total 10th EDF disbursements:	£1,883,605 (€2,393,751)	£729,215 (€26,713)	£257,000 (€26,606)	£190,000 (€241,460)	£190,000 (€241,460)

6.0 Legal Implications

There are no direct legal implications or requirements.

7.0 Human Resources Implications

There are no Human Resource implications or additional staffing requirements.

PART A: COOPERATION STRATEGY

Executive summary

The Falkland Islands currently enjoy a prosperous open economy, high level of social services and as a consequence a high degree of social cohesion. The Government's comprehensive development plan (Islands Plan) sets out a clear policy agenda and describes major economic and social policy initiatives, which if achieved will provide a secure and prosperous future. The Islands current political, institutional, economic and social situation is such that no fundamental reforms are required.

Although sustainable in the short-term, development prospects in the medium to long-term are of concern. Static Government revenues at current rates of economic growth and increases in the cost of the provision of social services and essential infrastructure threaten fiscal stability. At best, current levels of Government services will be difficult to maintain and at worse living standards may be seriously eroded in the wake of deficit spending.

Maintaining and enhancing health and education services and essential public infrastructure require real and sustained economic growth of around 2.5% per annum. The export sector is the only area of economic development capable of generating this growth. In this framework, 10th EDF funds will be used to support capacity building for trade development.

Trade development initiatives to address supply side constraints involve sector specific capacity building initiatives to encourage trade growth and increased value added in the Falklands Island's key trade sectors – offshore fisheries and maritime industries, agriculture, tourism, port development assessment, alternative and renewable energy, as well as developing a knowledge-based economy.

Programmes aimed at improving agricultural productivity at the farm level continue to remain in place with expected long-term gains. Falkland Islands-registered fishing firms continue to account for an increasing share of the offshore fish catch since 2003.

The chosen implementation modality for the 10th EDF allocation is through Budget Support.

Chapter 1: EC cooperation objectives

In accordance with Article 182 of the Treaty Establishing the European Community, the purpose of the association between the European Community and the Overseas Countries and Territories shall be

“to promote the economic and social development of the countries and territories and to establish close economic relations between them and the Community as a whole”.

These objectives have been confirmed and reinforced in Article 1 of the Council Decision of 27 November 2001 on the association of the overseas countries and territories with the European Community. In accordance with Article 1, such objectives will be pursued in accordance with the principles set out in Articles 184 to 188 of the Treaty by focusing on the reduction, prevention and, eventually, eradication of poverty and on sustainable development and gradual integration into the regional and world economies.

The recently adopted ‘European Consensus on Development’ sets the general policy framework at EU level. The European Union Vision of Development sets out common objectives and principles for development cooperation and reaffirms EU commitment to poverty eradication, ownership, partnership, delivery of more and better aid and promotion of policy coherence for development. It also guides Community and Member State development cooperation activities, in all developing countries, in a spirit of complimenting one another.

The objectives and principles stated in the European Consensus on Development and the territorial policy agenda presented in Chapter 3 below, constitute the starting point for the formulation of the present SPD, in accordance with the principle of territorial ownership of development strategies.

Chapter 2: Assessment of the political, economic, social and environmental situation

2.1 Institutional and Political Situation

The Falkland Islands are governed under the Falkland Islands Constitution, which came into force 1st January 2009. Under its terms, eight Legislative Assembly Members, five from Stanley and three from Camp (rural areas), are elected every four years. Each year the Legislative Assembly members elect three of their colleagues to stand as members of the Executive Council (ExCo). ExCo advises the Governor. ExCo meetings are held monthly.

Defence and foreign affairs remain the responsibility of the British Government although in all other areas the Islands for all intents and purpose are self-governing on a day to day basis.

The Chief Executive is responsible for the performance of the Falkland Islands Civil Service that operates within strict Standing Orders ensuring its integrity and honesty.

The Falkland Island Government part funds a statutory Development Corporation that is responsible to a Development Board made up of representatives of Government and the private sector. This organisation is tasked with leading the economic development thrust in the Falklands.

The structure and institutions of the Falkland Islands political and government system are shown in Annex 4.

Since the invasion in 1982, Argentina maintains an active claim to the Falkland Islands. Nevertheless while a democratically elected government is in place in Argentina and relationships between the United Kingdom and Argentina remain good, the threat of military action is minimal.

A stable system of government, strong supporting institutions and a long tradition of good governance in the Falklands, provides a secure basis for creating a business environment that encourages inward investment and entrepreneurial activities by the private sector. As the private sector integrates with the global economy it will become increasingly involved in ensuring the integrity and accountability of political processes and government institutions.

The institutional and political situation is therefore highly conducive to achieving desired outcomes in the chosen focal area of trade and development.

2.2 Economic situation

The Falkland Islands have an open economy, which allows tariff free trade with the rest of the world. Historically and primarily due to revenues from the Fishing industry, this has been well managed and provided relative prosperity but challenges do exist in maintaining this on a long-term basis, as well as preserving levels of Health, Education and Social services.

An Economic Development Strategy project being undertaken by the Falkland Islands Government aims to achieve higher levels of real economic growth by exploring higher value-added economic activities, encouraging diversification into new

industries and businesses, as well as fostering closer public-private partnership in developing the Islands. This shall help to decrease the risk of fluctuating export prices in fisheries and agriculture.

Economic reforms envisaged focus mainly on increased private sector involvement in the economy. The main contributors to the Islands GDP of £72.3 million (based on 2006 figures) are:

Fisheries (38%)	Government (22%)
Communications, finance, real estate and business services (12%)	Wholesale and retail trade, hotels and restaurants (9%)
Construction (8%)	Other (7% total - all individual segments under 1%)
Transport (2%)	Agriculture (2%)

The growth of GDP has slowed in recent years, mainly as a result of lower in the growth of the fisheries sector. Per capita GDP amounts to £24,471. However, there are substantial leakages in the form of wages to overseas workers and transfer of profits to foreign joint venture partners. The labour market is characterised by very low unemployment. As a result of tight labour market conditions up to 20% of foreign contract workers are being employed, especially from St Helena, Chile and UK.

Fisheries are the largest contributors to the Falkland Islands economy. The main source of Government revenue from the fishing industry is the sale of licenses (access fees) to mainly foreign vessels from the Far East and Spain. However, the share of fishing income generated by joint ventures, jointly owned by partners from the Falkland Islands and foreign (mainly Spanish) partners has increased over recent years. There are currently 16 Falkland Islands-registered fishing companies. Local owners usually have a share of more than 25 percent in one or more vessels. Their share amounts to between 15 and 20 percent of fishing revenues. Fisheries license fees are not included in GDP figures but are included in GNI.

A key strategy to maintain the stability of the Falkland economy is to develop further the local capacity to take advantage of the globalisation of the international seafood market. The Falkland Islands fisheries are recognised internationally as being well and sustainably managed.

Participating more fully in the global seafood market involves expanding the economic base of the seafood sector by diversifying fishing-related activities. The Government is facilitating a transition from an industry involved in the extraction of fisheries resources for downstream processors based mainly in the EC to a Falkland's based seafood industry focussed on seafood production marketed into a wide range of international markets, as well as the promotion of higher value-added fish species. A diversified seafood sector also reduces the Government fiscal risk of being reliant on license revenues by ensuring that a greater proportion of private and public sector revenue comes from a range of seafood and economic activity, for example maritime service industries.

Though static in nominal terms licence fees paid to Government are declining in real terms. This fall in real licence fees is a result of having to compete for licence customers with other countries who have similar fisheries in which foreign vessels are licensed to fish.

Agriculture is an important export sector and nearly all economic returns are from wool sales. Very recently limited export of meat to Europe has begun and efforts will be made to improve the capacity of farms to produce both wool and meat to diversify and reduce vulnerability of the population whose income is mainly based on wool. Diversification into shellfish production or tourism-related activities is also encouraged as well as a movement towards Organic Certification.

For the medium term, government's policies focus on developing initiatives to accelerate private sector-led economic growth. A series of policy reviews have been completed formulating private sector promotion policies and programmes. These have been approved or are under consideration by the Executive Council¹.

Public finance

Government expenditure in 2006/07 amounted to £49.4 million. This level of expenditure is required, because the Government must meet the need for basic health, education and infrastructure services. The costs of these services on a per capita basis are high because of the small size of the population and consequently limited opportunities to achieve economies of scale. The range of Government activities is wide because the market and potential returns are too small to attract private sector providers.

While Government spending has increased in the last decade, Government revenue has remained static in nominal terms and declined in real terms. The potential sources of Government income, fisheries license fees, taxation and investment returns are not likely to increase fast enough to meet demands for spending at current economic growth rates.

The MEDIUM TERM FINANCIAL PLAN aims to reduce reliance on revenue from the fishery license fees and to free-up resources for re-directing to new priorities. But its targets are beginning to look unachievable due to the current economic situation so is currently under review. It is becoming difficult to balance the budget and avoid drawing on Government reserves.

The government however, has well developed systems of fiscal control.

The Falkland Islands overall policy agenda and development strategy is detailed in a comprehensive policy and planning document called the Islands Plan The management philosophy behind the Islands Plan is "results based management". The Plan identifies high level outcomes. Departments determine measurable and specific

¹ These include:

- A comprehensive fiscal and tax policy review recommending both a balanced budget within the framework of spending reviews (and reduction) and stable tax rates.
- A series of related reviews aimed at capturing a greater share of economic activity in the fisheries, marine farming and maritime industry sectors for the local economy.
- A series of "best-value" reviews to identify which Government services can be more effectively and efficiently provided by the private sector. Together these policies and initiatives are intended to help meet the Islands Plan goal of real economic growth of 2.5% per annum.

outputs that are intended to achieve these outcomes in their individual targeted 'Business Plans'.

2.3 External Environment and Regional Integration

Aspects of the Falklands Islands external environment have been assessed in previous sections of this chapter.

Trade with South America is increasing. There is a growing acceptance that in the areas of transport and communications the Falkland Islands due to geographic proximity are part of the South American region. Regional economic integration beyond communication and transport is restricted by historical, cultural and political factors.

2.4 Social situation

The Falkland Islands population is literate, well housed and nourished and generally healthy. Disparities between the household incomes and opportunities available to people living in Stanley and in Camp (countryside) are addressed effectively by education, communication, health and transport initiatives designed to mitigate against distance and remoteness. Social assistance is available to all Falkland Islanders who need it. The Islands Plan explicitly acknowledges the need to address the social dimensions of development throughout its 200 initiatives. There are no known social factors that are not being addressed through the Islands Plan that will negatively affect growth and development in the Falkland Islands.

2.5 Health, Education and Social Services

Schooling is free and compulsory for all children and young people in the Islands. The age that statutory schooling commences is from rising five and culminates after the completion of Year 11 of secondary schooling. This is mostly at sixteen years of age. Provision is also made for Nursery Education for rising 4 year olds but this is not compulsory. The Falkland Islands Government provides staff, equipment and supplies for education throughout the Islands. There is a primary and a secondary school in Stanley; in the rural areas younger children attend either small settlement schools or are visited by travelling teachers in their homes with telephone lessons between visits.

All students have the opportunity to attend Further and Higher Education overseas. Full sponsorship is dependent upon the grades attained in external examinations at age 16. The central administration of the Education Department is responsible for the oversight, placement and management, both pastoral and academic, of all overseas students. Vocational Training for 16+ students and adults is organised by the Falkland Islands Government's Education Department and operated through a local Training Centre. Vocational pathways have recently been introduced for 14 – 16 year old students in the secondary school. Increasing emphasis is being placed on life long learning opportunities and encouragement offered to the whole community to improve their qualifications and skills.

The Falkland Islands Government Health Service is responsible for the provision of all preventive and curative medical services in the Islands. The general standard of health within the Falkland Islands is good. Primary and secondary health care facilities are in Stanley through King Edward Memorial Hospital (KEMH), the only hospital in the Islands. Provision of health care to the remote farm settlements is provided by the General Practitioners using telephone consultations, together with

regular visits. In an emergency situation, the doctor can be taken to the settlement, or the patient evacuated to Stanley. Most services including some prescriptions are free to residents as well as medical treatment overseas for specialist treatment is available to most islanders.

The Falkland Islands Government provides social assistance to people in need. Based on assistance guidelines, need is assessed on a case by case basis by the Social Services Section of the Department of Health and Social Services.

For a small population, the Falkland Islands has an outstanding level of health, education and social services. Free access to these services limits the impact of poverty on low-income households. An ongoing challenge facing the Government is to control the rapidly escalating costs of providing universal healthcare, education and social services to a growing population while faced with static revenue.

2.6 Environment

The EU's agreed objective is to limit the average global temperature increase to less than 2°C compared to pre-industrial levels.

The Falkland Islands agreed to join the United Kingdom's ratification of the United Nations Framework Convention on Climate Change and the Kyoto Protocol in April 2006 and protecting the Falkland Islands environment is one of the nine Islands Plan goals. These include such things as a reduction on the reliance of fossil fuels, an increase in renewable energy, and the development of a waste management strategy.

Threats to the Islands environment are limited compared to many Island States and classified as moderate in the environmental profile report. Introduced predators especially rats are a threat to ground nesting birds. Other threats come from population growth and industrial development. These impacts are manageable within existing legal and operational frameworks in the foreseeable future.

The Falkland Islands Government manages environmental impacts of development through its planning and related ordinances administered by the Environmental Planning Office. Strategic planning documents include the Stanley Town Plan and the Islands-wide Structure Plan. Both documents are under review and are being updated at the current time. A Biodiversity Strategy for the Islands was adopted late in 2008.

The environmental impacts of fishing in the Falkland Islands Interim and Outer Conservation Zones are well regulated, as are the activities of Falkland Island flagged fishing vessels in international waters. The Falkland Islands are party to many international agreements protecting seabirds and marine wildlife. However joint marine and fisheries research with neighbour Argentina has been stalled for political reasons for a number of years now. Continuous improvements in environmental measures have been successful in reducing the incidental mortality of seabirds and marine mammals to very low levels.

The Falkland Islands Government makes conservation and sustainable environmental development a high priority in its policy agenda. Future onshore economic growth and development will be subject to strict environmental impact assessments and development controls to avoid, remedy, or mitigate adverse effects on the natural environment.

Chapter 3: Policy agenda of the OCT

The Falkland Islands overall policy agenda and development strategy is detailed in a comprehensive policy and planning document called the Islands Plan. The Islands Plan seeks to protect and improve the quality of life of Falkland Islands people and community. The Plan is based on nine key policy areas, and the Plan initiatives are given effect at departmental and sectoral levels by specific policy documents and business plans. Annex 1 links the Islands Plan through to the specific objectives and KPIs laid out in this SPD, whilst bearing in mind the specific objective of facilitating capacity building in the trade and export sector.

Two of the Islands Plan themes are the focus of this SPD. These are Sustainable Economic and Fiscal Management and Transport and Communications. Managing the economy and encouraging private sector development and diversification form a large part of the Plan and planned outcomes include:

- Greater involvement of Falkland Islands businesses in the exploitation of fisheries resources in Falkland Islands and nearby waters.
- Accelerated diversification of the Camp economy away from a dependence on wool through diversification (meat, marine farming and agro-tourism)
- Development of agricultural products for niche markets such as organic meat and wool.
- Tourism: development of an overarching strategy for tourism with private-sector and community-wide support.

The export sector is the area with significant potential and the only area of economic development capable of generating the 2.5% real annual economic growth necessary to sustain current levels of health, education and social service provision and public infrastructure.

The outcomes are quantified in the following targets:

- Average annual real economic growth of 2.5% or if below 2.5%, equal to OECD average growth plus 1.5%.
- Reduction of 5% in Government expenditure as a percent of GDP by 2013 compared to 2007.
- Average annual growth of 2.5% in value-added contribution of export-based sectors between 2007 and 2013.

Chapter 4: Assessment of past and ongoing EC cooperation

The Falkland Islands received €700 000 under the 6th EDF and another €1,547,000 under the 9th EDF, which was implemented through sector budget support.

The Falkland Islands Government was also a beneficiary of the STABEX scheme to mitigate the harmful consequences to primary producers of instability in agricultural export earnings. In the case of the Falkland Islands, there was instability in the price of wool exports.

In a joint bid with St Helena and South Georgia, the Falkland Islands have secured approx €2million from the 9th EDF Regional Programme fund for a project relating to the impacts of non-native invasive species on the economies of the South Atlantic Overseas Territories. The project is being managed by the Royal Society for the Protection of Birds in the United Kingdom on behalf of the three territories and their dependencies. The involvement of non-government organisations, such as Falklands Conservation and St Helena National Trust has been critical in the success of the project so far. The project commenced in 2007 and will continue until 2009.

Within the field of energy supply and distribution, the Falkland Islands Government guarantees loans made to Stanley Services Limited by the European Investment Bank. The loan guarantees to the European Investment Bank total £2,650,000 (€3,763,000). The operations of Stanley Services Limited have ensured a stable and efficient means of fuel supply and distribution throughout the Falkland Islands.

In 1980, the European Investment Bank funded a project to improve the working conditions within the King Edward Memorial Hospital, to enable some medical procedures to be carried out locally, which up to that date had been carried out in Argentina. The European Development Fund Special Loan currently has an outstanding balance of €15,000.

The Falkland Islands do not receive any financial support from the United Kingdom or other donors, with the exception of the EC.

Chapter 5: Response strategy

European financial and technical development assistance of €4.13M will be focussed on capacity building to support private sector and government-backed trade related development.²

The export sector is the area with significant growth potential and the only area of economic activity able to generate the targeted 2.5% real economic growth per annum.

The key export opportunities are:

- **Issue:** Tourism **Policy Response:** strategy formulation, statistical database, infrastructure development, alternative air links, marketing and promotion
- **Issue:** Export development **Policy Response:** organic/new niche markets for wool and meat, improved trade access. Subsidiary to this is domestic food production and encouragement of food self-sufficiency to reduce reliance on imports and improve the balance of payments (import substitution whilst capacity building for future export)
- **Issue:** Offshore fisheries **Policy Response:** higher value-added fishing/new commercial species, Centres of Excellence research/business collaboration towards joint venture partnerships, cluster development and research corridors
- **Issue:** Port development assessment **Policy Response:** port development, encouragement of containerization, transshipment, storage, processing allied to marine services
- **Issue:** Alternative and renewable energy **Policy Response:** investment in wind power, wave and solar energy, biomass and waste management to reduce fuel import needs so more investment can be loaded back into export-oriented businesses
- **Issue:** Development of a knowledge-based economy (innovation management and electronic economy). **Policy Response:** This may be done through the restructuring of Government leading to shared services; and also improved communications to facilitate ‘opening up’ of the Falkland Islands businesses to new export models and channels (e.g. internet sales of locally produced goods/fish trading).

The 10th EDF funds will supplement Government expenditures on trade development initiatives. Improving the Islands trade capacity and diversifying its economic activities remain key economic policy objectives as described above. Maritime sectors are increasingly seen as a major contributor to economic growth and government has a role to play to help stimulate this development. Support for agricultural development, although still important, is less an end in itself and is now part of an overall comprehensive economic development strategy for the Islands.

² This is consistent with Article 12 of the Overseas Association Decision of November 2001, which identifies trade development as a focal area of OCT-EC co-operation. In particular the Falkland Islands Government wishes to target supply side constraints as described in Commission Document COM (2002) 513 Trade and Development: Assisting Developing Countries to Benefit from Trade.

An economic strategy and industry-sector framework of priorities are being prepared which is expected to provide a strategic document covering a wide range of cross-cutting decisions affecting all sectors such as capital market development, tax and fiscal policy, good governance, labour markets & social capital, infrastructure development as well as public-private partnerships.

The Falkland Islands Government, aside from embarking on the Islands Plan, is formulating an Economic Development Strategy to:

- Develop a long-term (10 - 20 year) comprehensive vision for the Falkland Islands economy which is collaborative, achievable and sustainable taking in to account long-term global economic and social trends, available public, private and foreign resources, and commitment from each stakeholder present;
- Provide a high level route map of coherent macroeconomic policies and micro-level actions geared to achieving the long-term vision. This route map will translate into a strategic document covering a range of cross-cutting decisions affecting all sectors;
- Identify a range of medium term (2009 – 13) SMART objectives, the achievement of which will both secure practical improvements in the policy environment, legislative agenda, regulatory framework, as well as programme implementation;
- Provide a medium term (2009 – 13) action plan covering general tax and fiscal spending policy, export development and investment promotion, accountabilities and resources to achieve defined objectives, integrated with the Government's Medium Term Financial Plan
- Enable the completion of a comprehensive system of national accounts (SNA) that would provide the basis for future policy review and analysis of economic and commercial impact of said strategies.



PART B
**IDENTIFICATION FICHE FOR SECTOR POLICY SUPPORT
PROGRAMME**

A – PROGRAMME DATA

Title and CRIS reference ¹		
1. Country	Falkland Islands	
2. DAC code & sector		
3. Total amount:		M€1.13
of which budget support / pool funding amount:		M€1.13
4. Beneficiary contribution (if any)		M€0.00
5. Other contributions (if any)		M€0.00
6. Legal basis	Overseas Association Decision	
7. Budget Line/ EDF A or B Envelope'	EDF A	
9.	Financing Modality	Method of implementation
	Sector Budget Support (SBS)	Centralised Management

¹ Creation of a CRIS project number, link with the focal sector of NIP/CSP, introduction of the relevant DAC codes, upload of the identification fiche in CRIS. Ensure that the latest version is uploaded once approved.

PART B – PROVISIONAL TIMETABLE

1. Presentation of Identification Fiche at oQSG	MM/YY
2. Presentation of FP/TAPS at oQSG	MM/YY
3. Launch of inter-service consultation	MM/YY
4. Presentation to MS Committee	MM/YY

Date:

Signed: (Head of Delegation /Head of Unit)

Task Manager:

Geographical co-ordinator:

1. Summary description

The Falkland Islands overall policy agenda and development strategy is detailed in a comprehensive policy and planning document called the Islands Plan. The Islands Plan seeks to protect and improve the quality of life of Falkland Islands people and community and places great emphasis on achieving sustainable economic growth whilst preserving the natural environment and unique culture of the Falkland Islands. The Plan is based on nine key policy areas, and Islands Plan initiatives are given effect at a departmental and sectoral level by specific policy documents and business plans. The second of these themes, the focus of the Falkland Islands SPD's response strategy and its National Indicative Programme, is that, "We will manage the economy wisely so that all sectors of society can prosper." For the medium term, Government's policies focus on developing initiatives to accelerate private sector led economic growth and diversification, with particular emphasis on ensuring that agriculture is profitable and developing strengths in fisheries, minerals and tourism. A series of policy reviews have been completed formulated, leading to private sector promotion policies and programmes. A fishery policy review was conducted in 2003, resulting in a programme of policy recommendations adopted by the government. For agriculture a business plan has been formulated for the period 2003/04-2012/13. The implementation of a tourism strategy for the period up to 2012 is underway.

The export sector is the area with significant growth potential and the only area of economic development capable of generating the 2.5% real annual economic growth required to meet and sustain current levels of health, education and social services provision and infrastructure.

Territory actions currently underway to improve the private sector capacity to take advantage of trade opportunities can be classified into six initiatives:

- Tourism (strategy formulation, statistical database, infrastructure development, alternative air links, marketing and promotion)
- Export development of the Agricultural industry through improving pastures and crops and accelerating genetic progress in sheep (to enhance wool micron) leading to increased and higher value export sales.
- Offshore fisheries (higher value-added fishing/new commercial species, Centres of Excellence research/business collaboration towards joint venture partnerships, cluster development and research corridors)
- Port development assessment (port development, containerization and marine services)
- Development of Alternative and renewable energy (focused on wind power) to reduce fuel import needs, therefore allowing more investment to be loaded back into export-focused businesses
- Development of a knowledge-based economy (innovation management and electronic economy). This may be done through the restructuring of Government leading to a shared service centre; and also improved communications to assist with an 'opening up' of the Falkland Islands businesses to easier export (e.g. internet sales of locally produced goods/fish trading).

The small size and cohesive nature of the Falkland Islands economy means that relatively small interventions in terms of resources can reach an entire sector and therefore positively

influence intervention outcomes. Moreover, economic interdependence between the export sectors, often with entrepreneurs involved in all sectors enables capacity development initiatives in one export sector to likewise directly benefit the others. The ongoing development of Hazard Analysis and Critical Control Points (HACCP) protocols and related testing in the meat sector links with technical and human capacity necessary for the application of HACCP to the marine farming and seafood sectors. Similarly, the implementation of the fisheries policy and development of a marine farming sector should provide export volumes to encourage additional international transport links. In the agricultural sector improving the quality of wool and lambing percentages boosts meat production as the national sheep flock changes from breeds solely bred for wool to breeds capable of producing both high quality wool and higher carcass weights.

Poverty reduction will be largely impacted by improvements in the farm and agricultural productivity and income levels, as well as the reduction in income disparity between the farm and urban segments of society.

2. Consistency with EC policy, programming framework and the aid effectiveness agenda

The Falkland Islands Government are committed to developing and implementing a national development strategy and translating this into result-oriented operational programmes, and in doing so will ensure value for money for the citizens of the islands, in accordance with the Paris Declaration on Aid Effectiveness. Towards achieving this European financial and technical development assistance will be focussed on capacity building to support trade focussed development. This is consistent with Article 12 of the Overseas Association Decision of November 2001, which identifies trade development as a focal area of OCT-EC co-operation.

3. Eligibility

A report from consultant Mark Watson (working remotely for the EC, 2008), recommended that the European Commission considers the provision of 10th EDF financing in the form of budget support to the Falkland Islands. AIDCO confirmed this was acceptable. This is because the Islands have demonstrated the following:

- **Prudent budgetary management**, illustrated by the active moves to contain public expenditure when FIG revenues (in 2004-2006) had diminished due to a decline in fisheries revenues;
- **Sound financial management systems**, facilitated by professional and accountable staff, who are suitably remunerated for FI conditions;
- **Appropriate fiscal and regulatory structures** governing public finance management, currently being strengthened by a review of FIG, with advice being provided by the National School of Government. Whilst this shall look to rationalise FIG in the medium-term, there may be associated costs in the shorter-term;
- **Public procurement systems** that are applied in a pragmatic manner, reflecting the small scale and isolation of the FI economy, although they do contain the potential to be over-ridden and sole sourcing is sometimes necessary.

Given the sound PFM and budgetary systems, there is no reason why the release of the 10th EDF financing should await the outcome of such a review.

The macroeconomic policy focuses on 2.5-3% growth in GDP per annum to maintain existing levels of service, and also to mitigate the following risks within the economy:

i) **Political risk**, given the continued sensitivity of the relationship between the UK and Argentina in relation to the FI. This has already stunted potential export growth and trade links with South America. It should be noted in this regard that the UK Government is committed to self-determination by the population of the FI, and the population is committed to remaining an Overseas Territory of the UK;

ii) **The volatility of commodity and export prices** and their effect on fishing license revenues, especially in relation to *illex* squid, which has an annual life cycle, and is highly sensitive to environmental conditions such as marine temperatures and oceanographic trends. Revenues from this source are therefore difficult to forecast;

iii) The **impact of declining international financial markets and falling commodity prices** on FIG's revenue intake through taxation and international investments/reserves.

4. Implementation issues

The Single Programming Document outlines the indicative programme for the Government Fiscal Programme up to **2013**. A timetable showing FIG budgetary commitments including the use of the proposed 10th EDF resources is attached at Annex 3.

Two fixed tranches are suggested for future disbursements subject to the 10th EDF criteria for disbursement. The proposed project duration is 24 months, with the first tranche falling in early-2010 and the second in a subsequent year.

The Single Programming Document (SPD) for the 10th EDF will identify budgetary support as the implementation modality for the funding. This is a non targeted sector budget support programme.

Annual reports on the progress towards achievement of targets and sectors identified for budget support will be submitted. These will provide an appropriate monitoring mechanism. This will also utilise existing procedures and provide appropriate information on budget implementation and fiscal performance without adding any unnecessary burden on the Falkland Islands Government yet ensuring the stated goals are being measured as practicably as possible.

Additional to the above during the implementation of the project, proper public finance management will continue as evidenced by the Principal Auditors annual report. The existing Audit Arrangements are as follows:

(1) External audit – external auditors are Deloitte (UK). They visit the Falklands twice a year. On their interim visit they review system controls and on their second visit concentrate on the final accounts. They issue a Formal Audit Report along with an annual management letter for internal use only.

(2) Internal audit – We have an internal audit department working full time within FIG.

This is headed by the Chief Internal Auditor, who reports to the Principal Auditor and Financial Secretary. The Principal Auditor currently provides the function of an independent audit committee and though based in the UK usually makes a Falklands visit annually. There is a risk based audit plan in place, progress against which is reported twice yearly.

Budget support will be provided through the two proposed successive fixed tranches. The first tranche will be released upon signing of the FA. The second tranche will be disbursed after transmission by FIG to the EC of the Annual audit reports and approved budget provisions in line with sector policies by pertinent departments.

5. Issues and state of play in the seven key areas of assessment

5.1 Sector policy and strategy

The Islands Plan 2008 – 2012 contains cross-cutting themes referring to sustainable economic development, growth and diversification.

- Sustainable Economy:
 - (a) “Manage the economy wisely so that all sectors of society can prosper.”:
 - (b) “Improve the efficiency of Government Services and maintain prudent fiscal management.”
- Camp: “Maintain Camp in order to encourage a well populated, economically and socially sustainable community integrated with the national economy.”

Overall, the Falkland Islands economy is well managed from a fiscal and public finance management perspective (Oxford Policy Management paper, Mark Watson, 2008). Government policies continue to focus on accelerating private sector led growth, with particular emphasis on making agriculture profitable, as well as developing strengths in fisheries, minerals, tourism and alternative energy sources. The export sector is an area with significant growth potential capable of generating substantial economic activity necessary to sustain current levels of health, educational and social services provision and infrastructure spending.

Government is likewise aiming towards the development of a coherent economic development strategy which addresses tax policy, rationalizing fiscal spending, business promotion and attraction, immigration and skills development, privatization, economic diversification and infrastructure development.

The route map requires the joint participation and collaboration of Government, private sector and the Camp community in defining a common and shared vision, broad economic policies and objectives, as well as specific long-term strategies to achieve these defined goals.

The Falkland Islands Government, aside from embarking on the Islands Plan, is formulating an Economic Development Strategy to:

- Develop a long-term (10 - 20 year) comprehensive vision for the Falkland Islands economy which is collaborative, achievable and sustainable taking in to account long-term global economic and social trends, available public, private and foreign resources, and commitment from each stakeholder present;
- Provide a high level route map of consistent policies and actions geared to achieving the long-term vision. This route map will translate into a strategic document covering a range of cross-cutting decisions affecting all sectors;
- Identify a range of medium term (2009 – 13) SMART objectives, the achievement of which will both secure practical improvements in the policy environment, legislative agenda, regulatory framework, as well as programme implementation;
- Provide a medium term (2009 – 13) action plan covering general tax and fiscal spending policy, export development and investment promotion, accountabilities and resources to achieve defined objectives, integrated with the Government’s Medium Term Financial Plan
- Enable the completion of a comprehensive system of national accounts (SNA) that would provide the basis for future policy review and analysis of economic and commercial impact of said strategies.

This process is being led and managed by the Policy Unit within FIG and it is the Policy Unit that will monitor and submit progress reports to the Commission on the budgetary support spending. This clear line of responsibility shall ensure the Treasury and relevant departments both understand and participate in the process.

The over-arching development objectives of broadening and diversifying the economy to ensure sustainable future growth sit well with the theme of the 10th EDF as exports are the only area from which the necessary economic growth can be derived in the medium- to long-term.

Good governance is a clear focus of FIG as is evidenced by the ongoing review of Government whilst also signing up to and abiding by the ECHR.

5.2 Macro-economic context

If successful these capacity-building initiatives will contribute to the following specific and measureable development outcomes:

- Average annual real economic growth of 2.5% per annum.
- Reduction of 5% in Government Expenditure as a proportion of GDP by 2013 compared to 2007.
- Increase of 10% in value-added contribution of export-based sectors to GDP by 2013 compared to 2007.

An Economic Development Strategy (EDS) is also being drafted currently with the assistance of Elected Representatives, Government Departments and focus groups from both the private and voluntary sectors. This shall further help to drive and shape macroeconomic policy for the coming 10-20 years.

5.3 Sector Budget and Medium Term Expenditure Framework (MTEF)

The existing Islands Medium Term Financial Plan had explicit political support, but is currently under review due to the global economic environment and material changes in reserves and balances. However, the expenditure framework for the next 4 years up to 2013 has had preliminary approval, and is where the figures in Annex 3 are drawn from, with clear policy objectives identified.

Whilst the policy objectives listed at the start of this paper in line with the 10th EDF theme are unlikely to alter, spending priorities through 2009-13 may do so. However all spending commitments are realistic in the timeframe and the budget support request is considered feasible throughout. Ongoing monitoring and advice by the Policy Unit shall ensure that this does not change.

5.4 Public Financial Management (PFM)

With regard to PFM, the Falkland Islands has consistently rated high in its performance from both an Auditors and Political perspective. However, due to issues detailed below it has been deemed necessary to perform a review to fit with changing requirements and global trends. This review shall be completed and any changes implemented within 2009/10. The requirements of the EC and the 10th EDF shall be taken into account throughout this and shared with the EDF through the Policy Unit where requested. Key details are:

- a) Public expenditure as a share of GDP is high, as is the ratio of government expenditure to GDP in other island OCT standards. However it must be borne in mind that the coverage of expenditure includes the operations of agencies such as the post office, electricity & water supply, coastal ferry, and aviation services as these are Government Departments in the Falkland Islands rather than corporations in the private sector.
- b) Virtually all revenue comes from taxes, fees and charges, and licences on the revenue account. There has been considerable annual variation on amounts collected. The salient feature of the structure of the tax system in the Falkland Islands is the proportion of the total revenue that fishing licences make up (35.5% of total in 2006/07).
- c) The combined fiscal position has shown a growing trend towards deficits from 2002/03 to 2006/07 when average annual deficit was £1.81 million with surplus realized only in two of the five years. When the capital account is added in, the position changes somewhat as to be expected.
- d) Achieving a fiscal surplus over the economic cycle is a policy objective that aims to achieve a Consolidated Fund Balance of up to 2.5 times the annual operating costs of Government. One of the ways that the Government is aiming to achieve the target is to continue the efficiency gains that it has already implemented as well as looking for revenue enhancing measures, though it is realised this may be too optimistic without a change in the current global economic environment.
- e) Another initiative to ensure fiscal stability that has been undertaken is the creation of the Capital Equalisation Reserve, a Fund which receives an annual contribution from revenues collected in order to remove the impact of the variability of the capital budget on the annual budget process. A sum of £4 million is the current and suggested annual transfer.

5.5 Sector and donor coordination

The **Policy Unit** within the Falkland Islands Government shall be leading the coordination of all EDF Funding, including the wrapping up of the 9th cycle. This allows a clear strategy to be continued, with consistency across both funding cycles. The Unit shall provide technical assistance where required in conjunction with the EC team and is highly engaged with the Treasury, and shall monitor and report on budgetary support funds.

The policy objectives detailed throughout this document were decided upon by Elected Councillors supported by the civil service after considerable consultation with the private sector. The monitoring and reporting role of then coordinating donor contributions vis-à-vis the operating and capital budget has been tasked to the Policy Unit, with the private and voluntary sectors being aware of this. Annual spending reviews shall be completed by the unit to ensure the proper use of budgetary support funds, with these reports to be shared with the EDF team where necessary.

5.6 Performance measurement

The following key metrics shall be utilised by the Policy unit in measuring the success of the schemes intended to increase trade and build capacity. Sitting along side these shall be an overall measurement of the growth of the economy (in GDP, GNP, BOP etc) obtained from the updated SNA being put in place this quarter with the help of Statistics Canada:

Sector	Projects / Details	KPI's / Measurement of Success
1 Export Development	Organic/new niche markets for wool and meat, increased trade access for these products. Continuation of fisheries exports, with fluctuations in income minimised where possible.	Maintenance of the 2008 level of mutton/lamb exports to the EU in 2009 and 2010, with growth thereafter, and organic certification throughout. Increase of 10% in value-added contribution of export-based sectors as percent of GDP by 2013 compared to 2007.
		Improvement in the general wool export quality by 1.0 micron per year until 2013 from the existing 26 micron. Along with an increase in lambing percentages from 60 to 70% by 2013.
2 Offshore Fisheries	Higher value-added fishing/new commercial species, Centres of Excellence covering research/business collaboration towards joint venture partnerships, cluster development and research corridors. Encouragement of a deepening of locally-owned involvement in the industry.	A reduction in the large percentage (35.5%) of Government revenues attributable to Fisheries.
		In terms of the total fisheries quota, circa. 40% is currently owned by Falkland Island managed companies. Target to have total quota rights owned by local firms at 55%+ (excluding unregulated Illex squid) by 2013.
3 Port Development	Port development, containerization and marine services.	Support the production of a potential review and feasibility study of the development of a deep-sea port in the Islands, with a final decision and project plan developed during this cycle. Tangible economic effects such as a deepening of the fisheries industry and decreased reliance on fishing licenses shall then be forecast and KPI's established after the study.
4 Alternative & Renewable Energy	Wind power, wave and solar energy, biomass and waste management) to reduce fuel import needs so more investment can be loaded back into export-focused businesses.	Purchase and implement 3 new Wind Turbines to complement the existing 3. This shall mean that 40% of all energy requirements for the Islands are from renewable sources compared to the existing 23% by 2013.
		Reduction of 5 percent in Government expenditure as a proportion of GDP by 2013 compared to 2007
5 Tourism	Covers strategy formulation, development of a statistical database, infrastructure development, alternative air links, marketing and promotion.	A 5% year-on-year growth in the average spend per passenger from cruise vessels from 2009 to 2013. This shall also be partnered with a 5% growth in the number of overnight stays of land-based customers between 2009 and 2013.
		Development of a Tourism Satellite account to improve knowledge of the economic impacts of tourism and to help shape strategic development for 2009-13.
6 Knowledge Based Economy	This may be done through the restructuring of Government leading to a shared service centre; and also improved communications to assist with an 'opening up' of the Falkland Islands businesses to facilitate easier export e.g. internet sales of locally produced goods/fish trading	100% of internet users on Broadband by 2011.
		Improvement in the efficiency of Government leading to a 5% decrease in the Government proportion of GDP by 2013 when benchmarked against 2007.

5.7 Institutional assessment and capacity development

The assessment of existing institutions and especially their interaction with the private sector in trying to diversify the economy and build local capacity is a particular focus of the both the Government-wide review and also existing business plans for each department. For example, the existing Fisheries governance framework and in particular the current 'Individual Transferable Quota' (ITQ) for fishing licenses is up for review in 2009/10.

This work is still in progress but the Falkland Islands Government is approaching economic development initiatives within a comprehensive strategy to secure the Islands future (Islands Plan). Macro-policy frameworks and individual development initiatives are clearly linked for the first time and achievable goals and targets and indicators to measure progress towards targets have been set in place.

The Falkland Islands do not receive any financial support from the United Kingdom or other donors for capacity building. The only support anticipated is EC 10th EDF. The previous 9th EDF funding for budget support amounted to €4,547,000 (approximately £3 million), the Falkland Islands Government in partnership with the private/funding sectors may also apply for a loan from the European Investment Bank (EIB) and community assistance in accordance with the Overseas Association Division (OAD).

6. Risks and assumptions

External factors such as:

- Decreases in commodity prices may have a negative impact on progress towards objectives.
- Revenue losses due to further fishing licence decline may reduce the Falkland Islands Government's contribution towards capital projects and therefore slow progress of the programme.
- A lack of needed immigration for development and an increase in local capacity for external trade may hold up the potential improvement schemes.
- A decrease in the number of inbound tourists due to the global economic recession. This has not been witnessed currently, but most cruises are booked a year in advance, so may seep into the 2010 season especially.
- The purpose of the programme is to mitigate these risks in the future by diversifying the economy and widening markets available to the Falkland Islands as well as improving local facilities and encouraging local (and FD) investment.

Also see [Annex 1](#) for more detail on risks within key schemes.

7. Next steps, work-plan and time schedule

Priority	Workstream	Outcomes relating to 10th EDF	Timing	Owner(s)	Risk / Mitigating Factors
High	Review of Government Structure and Capacity/PFM	Potential updated PFM priorities and framework. Clear guidelines and focus on institutional interaction with private sector, particularly in relation to the economy and capacity.	2009-12	Chief Executive / Executive Council	Some alterations may require interaction and sign-off from the FCO. Also, budgetary concerns may delay implementation of some areas. These risks are being mitigated by the National School of Government being involved already, and by a commitment that the review shall be 'budget-neutral' in the shorter-term'.
High	Completion and Formalisation of the Economic Development Strategy.	Adds more depth to the priority list detailed within the SPD and more concrete actions/timelines on the development of key industries.	2009-11	Policy Unit/Chief Economic Advisor	Private sector support for major schemes may be difficult to obtain, or at least slow in becoming apparent. This may delay the implementation timelines, however this risk is being mitigated by continual involvement from the private sector in the planning process.
Med	Updating of the existing Immigration Laws to synchronise with the Economic Development Strategy.	Shall ensure the stated KPIs in section 6 can be met.	2009-11	Executive Council/Customs & Immigration Dept.	Requires local and elected council approvals. May be implementation work to be done before new applicants are processed, leading to a time-lag. This is currently a focus of Government Review.
Med	Agree completed Audit and Annual Report/monitoring arrangements with the EC for EDF funds.	Shall ensure there exists a clear process and accountability to monitor the budgetary support funds.	2008-09	Financial Secretary/Policy Unit/EC	A semi-annual audit of overall public finances takes place currently, ensuring data shall always be available, so risks here are minimal.

Annex 1. Linking the ‘Islands Plan’ through to the 10th EDF

Project Description	Indicators	Source of Verification	Assumptions	Identifiable Risks
<p>Overall objective: To contribute to the protection and improvement of the quality of life of the Falkland Islands people and community</p>				
<p>Method: Achieve sustainable economic growth whilst preserving the natural environment and unique culture of the Falkland Islands.</p>	<ul style="list-style-type: none"> - Consolidated fund reached 2.5 times the operational expense of FIG or €105 million. - Annual real economic growth average 2.5% by 2013; - Reduction of 5% of government expenditure as a proportion of the GDP by 2013 over 2007. 	<ul style="list-style-type: none"> - FI Government statistics - FI Government statistics - FI Government statistics 	<ul style="list-style-type: none"> - Economic growth improves the Falkland Islands Government financial situation to maintain fiscal balance and increase consolidated fund. - Economic growth improves the private sector’s ability to generate investment and employment, helping to grow and sustain an export-focused economy. 	<p>There is a lack of political and societal will to implement economic changes needed to maintain the requisite level of growth.</p> <p>International financial markets and conditions deteriorate to such a point that the objectives set are just not achievable.</p>
<p>Result: Government-led interventions and initiatives for the trade-related sectors of fisheries (including port development), agriculture, tourism, alternative and renewable energy, and developing a knowledge-based (electronic) economy.</p>	<p>See Section 5.6 of this document for specific metrics/KPIs.</p>	<p>FI Government statistics, FI Development Corporation, FI Tourist Board and private sector sources.</p>	<ul style="list-style-type: none"> - World market price of important FI export commodities (wool, meat/mutton) do not decline significantly. - Fishing licenses continue to generate income for FIG and local firms. 	<p>International commodity markets deteriorate to such a point that revenue objectives are not achieved and tourism declines significantly.</p>

Annex 2. Summary country data – Falkland Islands

Surface	12,173 Sq Km
Geographic region	South west Atlantic
Population, total	2,955
Membership of regional/international organisations	Overseas Countries & Territories Association, Commonwealth Parliamentary Association
Population growth (average % past five years)	2%
Life expectancy at birth (years)	75+
Fertility rate (births per woman)	1.7
Mortality of under 5 years (per 1000 children)	0
Illiteracy total	0%
Illiteracy female (% age 15 and above)	0%
Primary enrolment (% of relevant age group)	100%
Secondary enrolment (% of relevant age group)	100%
Secondary enrolment, female (% of age group)	100%
Unemployment rate (% of labour force)	3% (2006 census)
Unemployment rate, females (% of female labour force)	6% (2006 census)
Poverty rate (percentage population below poverty line)	0%
HIV incidence (per 1000 population)	0
Main natural resources (items)	Fin Fish, Squid, Grasslands
Inflation rate (average past three years)	5.5%
GDP per capita	£24,471 (2006)
GDP growth (average % past five years)	2.58% Real (1998-2006)
Value added in industry (% of GDP)	57%
Value added in services (% of GDP)	41%
Value added in agriculture (% of GDP)	2%
Exports of goods and services (% of GDP)	62%
Imports of goods and services (% of GDP)	35%
Number of tourists (2007/8 season)	62,200 (Cruise) + 500 (Land)
External debt (percentage of GDP)	0%
Foreign direct investment, flow	N.a.
Overall government budget balance (% of GDP)	7.2% (Est.)
Fixed lines and mobile phones (penetration)	95% penetration
Personal computers (per 1000 people)	554
Internet users (per 1000 people)	738

Annex 3. Estimated Falkland Islands Government Commitments covering the 10th EDF Disbursements in Trade Development Focal Area*:

Territorial actions	2008/09	2009/10	2010/11	2011/12	2012/13
Development of seafood and related industries	£190,000 (€241,460)	£253,000 (€21,522)	£257,000 (€26,606)	£190,000 (€241,460)	£190,000 (€241,460)
Growth in long-stay tourism industry	£412,390 (€24,082)				
Improvement in the quality and returns from agricultural production	£1,075,000 (€1,366,154)	£400,000 (€08,336)			
Improve business skills within SME (including farm enterprises) participating or servicing export-related businesses including tourism	£30,000 (€38,125)	£30,000 (€38,125)			
Growth in utilization of alternative and renewal energy and biomass/waste management sector	£130,000 (€65,200)				
Improve capacity-building and support growth in activities in the knowledge-based and electronic economy.	£46,215 (€8,730)	£46,215 (€8,730)			
Total 10th EDF disbursements:	£1,883,605 (€2,393,751)	£729,215 (€26,713)	£257,000 (€26,606)	£190,000 (€241,460)	£190,000 (€241,460)

Annex 4. The structure and institutions of the Falkland Islands political and government system.

