



**STDF PROJECT PREPARATION GRANT (PPG)**

**APPLICATION FORM**

The Standards and Trade Development Facility (STDF) provides Project Preparation Grants (PPGs), up to a maximum of US\$50,000, for the following purposes (or a combination thereof):

- application of SPS-related capacity evaluation and prioritization tools;
- preparation of feasibility studies that may precede project development to assess the potential impact and economic viability of proposals in terms of their expected costs and benefits; and/or
- preparation of projects proposals that promote compliance with international SPS requirements, for funding by the STDF or other donors.

Applications that meet the STDF's eligibility criteria are considered by the STDF Working Group, which makes the final decision on funding requests. Complete details on eligibility criteria and other requirements are available in the *Guidance Note for Applicants* on the STDF website ([www.standardsfacility.org](http://www.standardsfacility.org)). Please read the *Guidance Note* before completing this form. Completed applications should be sent by email (as Word documents) to [STDFSecretariat@wto.org](mailto:STDFSecretariat@wto.org).

<b>PPG Title</b>	Strengthening the National Food Control System in Kiribati, with particular attention to the fish processing sector'
<b>Budget requested from STDF</b>	50,000
<b>Full name and contact details of the requesting organization(s)</b>	<p><b>Lead Agency</b></p> <p>Ministry of Commerce, Industry , and Cooperatives P.O. Box 510 Betio, Tarawa, Kiribati Tel: (686) 26156, 26157, 26158</p> <p><b>Collaborating Agencies</b></p> <p>Ministry of Health and Medical Services, Ministry of Fisheries, Marine and Resource Development, Kiribati Competent Authority (Kiribati Seafood Verification Agency)</p>
<b>Full name and contact details of contact person for follow-up</b>	<p><b>Ms. Roreti Eritai</b> Director Business Promotion Centre, Ministry of Commerce, Industry &amp; Cooperatives , P.O. Box 510, Betio, Tarawa, Kiribati Tel: (686) 26156, 26157, 26158 Cell: (686) 73054903 Email: <a href="mailto:director.bpc@commerce.gov.ki">director.bpc@commerce.gov.ki</a></p> <p><b>Mr. Samson Odhiambo</b> National Trade Advisor Ministry of Commerce, Industry &amp; Cooperatives , P.O. Box 510 Betio, Tarawa, Kiribati Tel: (686) 26156, 26157, 26158 Cell: (686) 73054903 Email: <a href="mailto:sodhiambo@commerce.gov.ki">sodhiambo@commerce.gov.ki</a></p>

## **I. BACKGROUND AND RATIONALE**

1. What is the purpose of this PPG? Explain whether it is requested to: (i) apply an SPS-related capacity evaluation or prioritization tool; (ii) prepare a feasibility study (prior to project development) to assess the potential impact and economic viability of proposals in terms of their expected costs and benefits; and/or (iii) prepare a project proposal for consideration by the STDF or other donors?

1.1. The purpose of the PPG is to prepare projects proposal that promote compliance with international SPS requirements, for funding by the STDF or other donors. The project proposal will also be informed by the outcome of a feasibility study that will assess the potential impact and economic viability of the proposed project.

1.2. The costed project proposal will look into the options to establish a centralised analytical laboratory; Roadmap for integration of agri-food safety services and Mid-term plan for SPS-related human capacity development that will allow the Government of Kiribati to strengthen its official controls in a planned and ordered manner in line with international benchmarks.

2. Explain the key SPS problems and/or opportunities to be addressed. Clarify why these issues are important, with attention to market access and poverty reduction. Describe, if relevant, how these issues relate to SPS priorities in the Enhanced Integrated Framework's Diagnostic Trade Integration Studies (DTIS), the findings of SPS-related capacity evaluations, national poverty reduction strategies, sector development strategies or policies, etc. See Qn. 7. (b) – (d) of the Guidance Note.

2.1. The Republic of Kiribati with a population of 110,136(2015 Census), is one of the most isolated Small Island State in the Pacific. The economy is based on services, with only 9% of the Gross National Income (GNI) generated by activities in the primary sectors. High levels of unemployment and indebtedness are still prevailing in the main Islands (South Tarawa and Kiritimati), with the majority of the population engaged in subsistence farming and fishing.

2.2. Over the last decades, Kiribati has experienced recent increases of costs of energy, raw materials, and foodstuffs. Over the same period, economic development has stagnated, leading to reduced employment opportunities and reduced incomes. The overall unemployment rate currently stands at 30.6%, with youth unemployment rate at 54%.

2.3. The fisheries sector is crucial for the country, contributing substantially to Government revenues and the overall national economy. The Kiribati Fish Ltd (KFL) is the main processing fish factory. KFL processes high-value fresh and frozen tuna, alongside swordfish and snapper for export, with a fleet of 20 longliners supporting around 300 workers directly as well as many more local fishermen suppliers. The KFL started exporting fresh and frozen tuna in 2013 and has established export markets in Japan, the US, New Zealand, Australia, the EU and Nauru.

2.4. While Kiribati derives its fisheries revenue mostly from fishing licenses, processing remains limited to a couple of operators in South Tarawa. Kiribati mainly exports fresh and frozen fish to Japan, USA and Australia. There are also plans to exploit the Market access opportunities in the EU. The Government through the Kiribati 20 Year vision (KV20) Development plan has earmarked fisheries and tourism as the key priority productive sectors. The 20 Year development plan seeks to increase investment towards value addition across the value chain. The intention is to increase investment in manufacturing activities in order to increase exports, employment and income for I-Kiribati. The current development plan 2016-2019 also recommends the need to implement strategies that provide sustainable development of the fishing industry and to maximise economic returns from the marine resources. The medium and long-term strategy for the Government is to

use fisheries sector as a vehicle for sustainable economic development, through creation of employment especially for the women and the youth.

- 2.5. There is a growing recognition by Government and business operators, that developing the fisheries industry could have benefits for the economy and spill over effects in terms of accelerating the development of local small-scale fishing sub-sector through the fisheries value chain linkages with the fisheries processing firms, hence contributing to poverty reduction. The Government, as part of its trade policy agenda, is also working towards improving market access opportunities especially to the EU market and other international market places as well. In this context, the Government with funding support from the EU established a Fisheries Competent Authority to address Sanitary and Phytosanitary Measures (SPS) issues related to the export of fish. The funding support from EU was used towards the construction of the Competent Authority (CA) new office in Betio, Tarawa. The construction project was undertaken for 5 months. The telecommunication infrastructure was installed. In addition to the EU support, the CA received office equipment donation from SPC, the Forum Fisheries Agency and the Fiji Competent Authority. The Funding assistance from development partners, however, did not include the establishment of the lab infrastructure.
- 2.6. While the Competent Authority was established, the official control infrastructure has remained insufficient both for inspection and for diagnostic testing, in particular microbiological testing and chemical testing in line with international standards. Additional assistance is needed to enable Kiribati to enhance its control systems for food safety, so that regulators in the EU and other export destinations, may recognise the outcome of the official controls, and allow sustained fish exports from Kiribati. Such support is expected to unlock more fish landing and processing in Tarawa, hence increasing investment in value addition thus creating employment, income generation for the majority of the unemployed youth and women in Kiribati.
- 2.7. Kiribati SPS system is also underdeveloped and scattered among the three main Authorities namely, Ministry of Environment, Lands and Agricultural Development (MELAD), Ministry of Health and Medical Services (MHMS) and the Kiribati Competent Authority of the Ministry of Fisheries and Marine Resource Development (MFMRD). Kiribati suffers from a lack of technical capacity in both material and human terms despite the strong development objective to stimulate sustainable development through the fisheries sector.
- 2.8. A few enterprises like the KFL and the Kiribati Coconut Development Limited (KCDL) have set up basic testing capacities. In the public sector, testing capacities are limited to the health laboratory (water microbiology tests). Operators, in both the private and public sectors, outsource most of their tests to laboratories in the region (USP lab in Fiji, and labs in New Zealand). This creates significant constraints to their activity because of extra cost (shipment of samples) and delays. In addition, this prevents building of local skills and hinders the development of local capability. The critical issue in this context is that even simple testing procedures that can be done domestically are outsourced outside the country due to lack of even basic quality infrastructure to facilitate testing facilities.
- 2.9. The Diagnostic Trade Integration Study (DTIS) also highlighted the need to develop official capacity to manage SPS issues. The adoption of the endorsed National Quality Policy (NQP) of Kiribati in March 2017 by Government, developed through nation-wide consultations has re-emphasised the need to restructure the SPS system to ensure better provision of basic official controls (environmental health & safety) and the success of agricultural export diversification initiatives. The Trade Policy Framework endorsed by the Government in December 2017 also recommended the need to strengthen the national quality infrastructure in order to support the development of trade in the key productive sectors.
- 2.10. Lack of control systems to check and guarantee the quality and/or safety of products also disadvantages local businesses like women engaged in Virgin Coconut Oil (VCO) production, since they cannot compete with unchecked imported goods or cannot

demonstrate the level of safety/quality if they try to export. The existing situation has affected the ability of the VCO producers to have confidence in the quality of their products that limiting the potential to upscale production in order to exploit trade opportunities. This also extends to the services sector, with tourism and maritime transport as cases in point, which would benefit from better official safety and quality control systems.

- 2.11. Kiribati seeks to promote and sustain its fisheries exports to niche markets like EU, but can only achieve this if its SPS system is able to ensure and sustain the quality of the products placed on the market. Nevertheless, the limited size of the economy would point towards avoiding duplication and overlaps in official control systems. Furthermore, international benchmarks for food safety are underpinned by the 'One Health' concept that calls for an integrated approach of food safety with built-in coordination and synergies between domains (agriculture, fisheries, processing, etc). While Kiribati has been able to realise some gains to the extent of being able to export to the EU market, there is a need to strengthen the capacity of relevant institutions in the area of SPS to guarantee sustainability in the national SPS system.
- 2.12. In relation with its economy, one of small size and subject to internal and external shocks, Kiribati suffers from a limited institutional capacity for planning and administration of public goods. The Government must serve a population scattered over thousands of square miles, with a constrained budget and limited human resources. The relatively constrained public service allows easier access and mobilization to implement projects or seek synergies between various Divisions or Ministries.
- 2.13. In this context, the Government wishes to avoid additional identification and formal assessment exercises. These could be too heavy and complex in regard with the size and status of SPS control services in Kiribati, and would delay the implementation of the NQP. Instead, the Government proposes to prepare projects that would seek: a) to keep the momentum generated by the NQP consultations, and b) to define for the SPS domain, the next phase of operations including necessary resources in terms of technical assistance and investment.
- 2.14. One of the areas of concern is the low capacity for testing the safety and hygiene parameter of agri-food products. Testing facilities and services are scattered between Ministry of Health and Medical Services (water, basic food microbiology), Ministry of Fisheries and Marine Resource Development (heavy metals in water) and the Ministry of Environment, Land and Agricultural Development (basic proximate tests). In this area also, scarce resources would prevent the development of three separate laboratories with overlapping mandates. It is in this context that the Action plan 4 on Testing Laboratories of the National Quality Policy recommended the need for a consideration towards developing a centralised Analytical Laboratory.
- 2.14. This approach of developing a centralised laboratory has been promoted in the Cook Islands. A Needs Assessment Mission in 2006 carried out indicated the opportunity for a centralized approach; and gradually an understanding was developed among Government services. This led to the recognition of the interest for such concept, and to a feasibility study to prepare the investment and business plans for such a central analytical lab for funding. MCIC wishes to use lessons learnt from other Small Island States like Cook Islands and to roll out a similar approach for Kiribati.
- 2.15. The Government through MCIC and Collaborating agencies therefore wishes to explore options for the creation of a centralised Analytical Testing Laboratory as recommended in Action 4 of the National Quality Policy. The first phase of the approach is to develop costed project proposal. The proposal will look into the options to establish a centralized analytical laboratory; Roadmap for integration of agri-food safety services and Mid-term plan for SPS-related human capacity development that will allow the Government of Kiribati to strengthen its official controls in a planned and ordered manner in line with international benchmarks.

3. Which government agencies, private sector, academic or other organizations support this PPG request? Letters of support from each of these organizations would be advantageous (Appendix 1). See Qn. 7. (e) of the Guidance Note.

3.1: The following agencies support PPG Request:

- Ministry of Environment, Lands and Agricultural Development (MELAD),
- Ministry of Fisheries, Marine and Resource Development (MFMRD);
- Kiribati Chamber of Commerce and Industry (KCCI),
- Ministry of Health and Medical Services (MHMS); Fisheries Competent Authority, etc

4. How does this PPG complement and/or build on past, ongoing and/or planned national programmes and/or donor-supported projects? See Qn. 7. (f) of the Guidance Note.

4.1. The PPG will complement the implementation of the Diagnostic Trade Integration Study (DTIS) recommendations related to SPS. The DTIS was funded by the EIF.

4.2. The PPG builds on the recently formulated and approved National Quality Policy (NQP) developed with funding and technical assistance from ACP-EU TBT programme. The PPG seeks to implement Action Plan No 2 (Standard & Conformity Assessment); Action Plan No 4 (Testing capability); Action Plan No 7 (Fisheries); Action Plan No 8 (Food Safety Coordination) of the National Quality Policy. It also seeks to implement a component of the Trade Policy Framework on Quality Infrastructure. The trade policy framework was formulated with funding and technical assistance from EIF and approved by the Government in December 2017.

4.3. The PPG will build on the funding and Technical assistance provided by the EU towards developing the Fisheries Competent Authority. It also seeks to complement the ongoing efforts to strengthen the Competent Authority with funding and technical assistance from Ministry of Foreign Affairs and Trade (MFAT). MFAT has provided funding and short-term technical assistance to facilitate the capacity building initiatives of the Competent Authority.

4.4. The PPG will also complement the envisaged Aid for Trade development assistance to be provided by Department for Foreign Affairs and Trade (DFAT) and MFAT as part of their commitment towards PACER Plus implementation assistance and broader trade related Assistance to the Forum Island Countries.

5. Have you discussed this PPG request – or funding for the project proposal which would result from it – with any potential donors (bilateral, multilateral, Enhanced Integrated Framework, etc.)? If so, provide details below and indicate potential sources of funding for the resulting project. See Qn. 7. (g) of the Guidance Note.

5.1. In context of the Broader Aid for Trade, strengthening national quality infrastructure targeting fisheries and tourism was one of the thematic areas recommended for EIF Tier 2 projects. The outcome of this proposal may inform the possible avenues of investment under the Tier 2 of the EIF project.

5.2. Australia's DFAT and New Zealand's MFAT have also indicated interest to support capacity building for Forum Islands Countries like Kiribati on SPS issues in the context of PACER Plus Trade Agreement that was signed in June 2017.

**6. Briefly explain how cross-cutting issues (e.g. related to gender, the environment) are relevant for this PPG and, if appropriate, how they will be addressed.**

- 6.1. On another hand, the growth of the population and the migration to South Tarawa have generated negative environmental effects such as a widespread pollution by household waste, cars wrecks, or the contamination of scarce potable water sources and of areas of the lagoon. In this context, the population at large has become more aware of the need to a more efficient resource management and environment protection. The Environment aspect will be integrated during the PPG formulation and implementation in order to ensure environmental sustainability.
- 6.2. Improved Market access will be key in creating wider opportunities especially for the women through value chain linkages. Strengthening the control systems to check and guarantee the quality and/or safety of products will be instrumental in ensuring a productive society, especially at the gender level including women. The PPG will ensure that the outcome of such projects fosters a productive society and creates wider economic opportunities for women through increased market access for products.

**II. IMPLEMENTATION & BUDGET**

7. Who will take the lead in implementing this PPG? If particular national experts and/or international consultants are proposed, attach a copy of their Curriculum Vitae and record of achievements (Appendix 2). If no names are provided, the STDF will provide a shortlist of consultants if the PPG request is approved.

- 7.1. MCIC, given its role in coordinating the implementation of the NQP will be the lead Agency during the implementation of the project at the National Level. MCIC will work closely with the collaborating agencies like Ministry of Finance and Economic Development (MFED), Ministry of Environment, Lands and Agricultural Development (MELAD), Ministry of Fisheries, Marine and Resource Development (MFMRD; Kiribati Chamber of Commerce and Industry (KCCI), Ministry of Health and Medical Services (MHMS); Fisheries Competent Authority, etc.
- 7.2. Members of the Quality Coordination Sub-Committee and the National Trade Advisory Committee (NTAC) will also be engaged to provide guidance on the project implementation and to enhance National Ownership of the project and project outputs.
- 7.3. Senior SPS Expert and Laboratory Expert (See Appendix 2) will be engaged to provide technical support in collaboration with the National Trade Advisor based at MCIC during the implementation of the project.

8. The table below briefly describes the main activities to be carried out under this PPG and specify who would be responsible. Provide an estimate of the budget required (e.g. for national/international expertise, travel and DSA of consultants, stakeholder meetings or workshops, gen eral operating expenses, etc.).

<b>Activity</b>	<b>Responsible</b>	<b>Estimated Budget (US\$)</b>
Finalisation of the TOR	MCIC with technical support of National Trade Advisor	None
▪ Recruitment of a team of consultants	MCIC and STDF	None

<p><b>Preparatory stage and Desk review</b></p> <p>Relevant documents will be examined .Such documents will include reports and policy documents like Kiribati development plan (KDP 2016-2019), Kiribati 20 Year Vision Development, Trade Policy Framework, the DTIS, the National Fisheries Policy, the National Quality policy, and other country-specific reports/data from the World Bank, FAO, UNDP, donors.</p> <p>Preliminary exchanges Between the experts and MCIC as the focal point will be undertaken to get updates on the relevant stakeholders to be engaged and contact persons.</p> <p>The field mission Work plan will be developed and finalised during the preparatory stage.</p>	<p>SPS Expert</p>	<p><b>[600/DayX6Days]x 1= 3,600</b></p>
<p><b>1<sup>ST</sup> Mission and In-country assessments/workshops;</b></p> <p>Experts will Consult with stakeholders in the private sector and with collaborating agencies through face to face consultations</p> <p>The experts will assess the capacity gaps in a detailed manner for the CA fisheries, and for other food safety entities; and outline a multi-year capacity development plan</p> <p>A detailed mapping of analytical capabilities, against the needs foreseen in the agri-food safety, environmental health and export sector will also be undertaken at this stage.</p> <p><b>Stakeholder Consultative Workshop:</b> A stakeholder workshop involving the members of the Quality Coordination Committee will be organised to discuss the preliminary findings and to get initial comments from the stakeholders.</p> <p><b>Consultative Meeting with the Members of National Trade Advisory</b></p>	<p>SPS Expert</p> <p>Laboratory Expert</p> <p>Stakeholders</p>	<p>Fees Senior SPS Expert –1st Mission [600/Day X10 Days ]= <b>6,000</b></p> <p>Fees Laboratory Expert [600/Day X10] = <b>6,000</b></p> <p>Travels [2Pax X5000] = <b>10,000</b></p> <p><b>Daily Allowance</b> SPS Expert [10 Days X 150] = <b>1,500</b></p> <p><b>Laboratory Expert</b> [150X 10] <b>1,500</b></p> <p><b>Local Transport Logistics</b></p> <p>50 x 10Days <b>500</b></p> <p><b>Workshop Logistics 1,700</b></p>

<b>Committee</b> ; The experts will present the initial findings to the National Trade Advisory Committee. This is a multi-stakeholder consultative committee on trade matters involving representatives from the relevant government ministries, private sector and civil society organisations.		
<b>2<sup>nd</sup> Mission-Validation Phase :</b>  <b>Stakeholder Validation Workshop:</b> Validation of the Final Report and presentation of Costed Project Proposals	<b>SPS Experts</b>  <b>Laboratory Expert</b>  <b>stakeholders</b>	<b>Fees Senior SPS Expert</b> [600/Day X3 Days ]= <b>1,800</b> <b>Fees Laboratory Expert</b> [600/Day X3] = <b>1,800</b> <b>Travels</b> [2Pax X5000] = <b>10,000</b> <b>Daily Allowance SPS Expert</b> [3 Days X 150] = <b>450</b> <b>Laboratory Expert</b> <b>[150X3Days]</b> = <b>450</b>
<b>Design projects/ applications;</b>  Preparation of the pre-feasibility study Report for establishing a central agri-food testing laboratory  Developing technical assistance project proposal intended to address priority needs based on identified gaps from the assessment.	SPS Experts  Laboratory Expert  MCIC	<b>Workshop Logistics</b> <b>1,700</b> Fees[600x2x2] = <b>2,400</b>
Miscellaneous (Visa ,terminals, communications) [2X200 ]		<b>400</b>
<b>Total</b>		<b>50,000</b>

## Appendixes

**Appendix 1:** Letters of support from each of the organizations supporting this proposal.

The key components of PPG are part of the following Action Plans of the National Quality Policy 2017-2013 endorsed by the Cabinet in March 2017.

- Action Plan No 2 Standard & Conformity Assessment
- Action Plan No 4 Testing capability
- Action Plan No 7 Fisheries
- Action Plan No 8 Food Safety Coordination

The issues to be addressed by the proposal are therefore part of the National Quality Policy, which outlines Government's commitment towards strengthening the National Quality Infrastructure.

**Appendix 2:** Curriculum Vitae and record of achievements for any consultants proposed to implement this PPG.

As attached.