



# DEVELOPMENT

## THE CARIBBEAN AND THE EUROPEAN UNION



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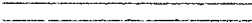
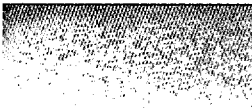
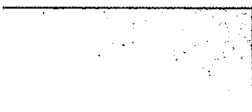
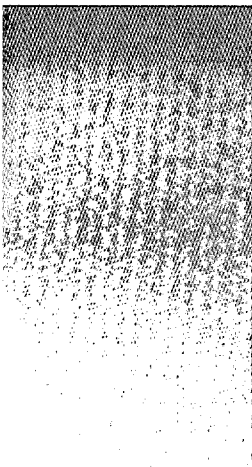
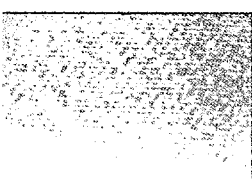
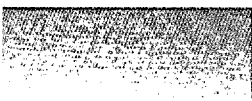
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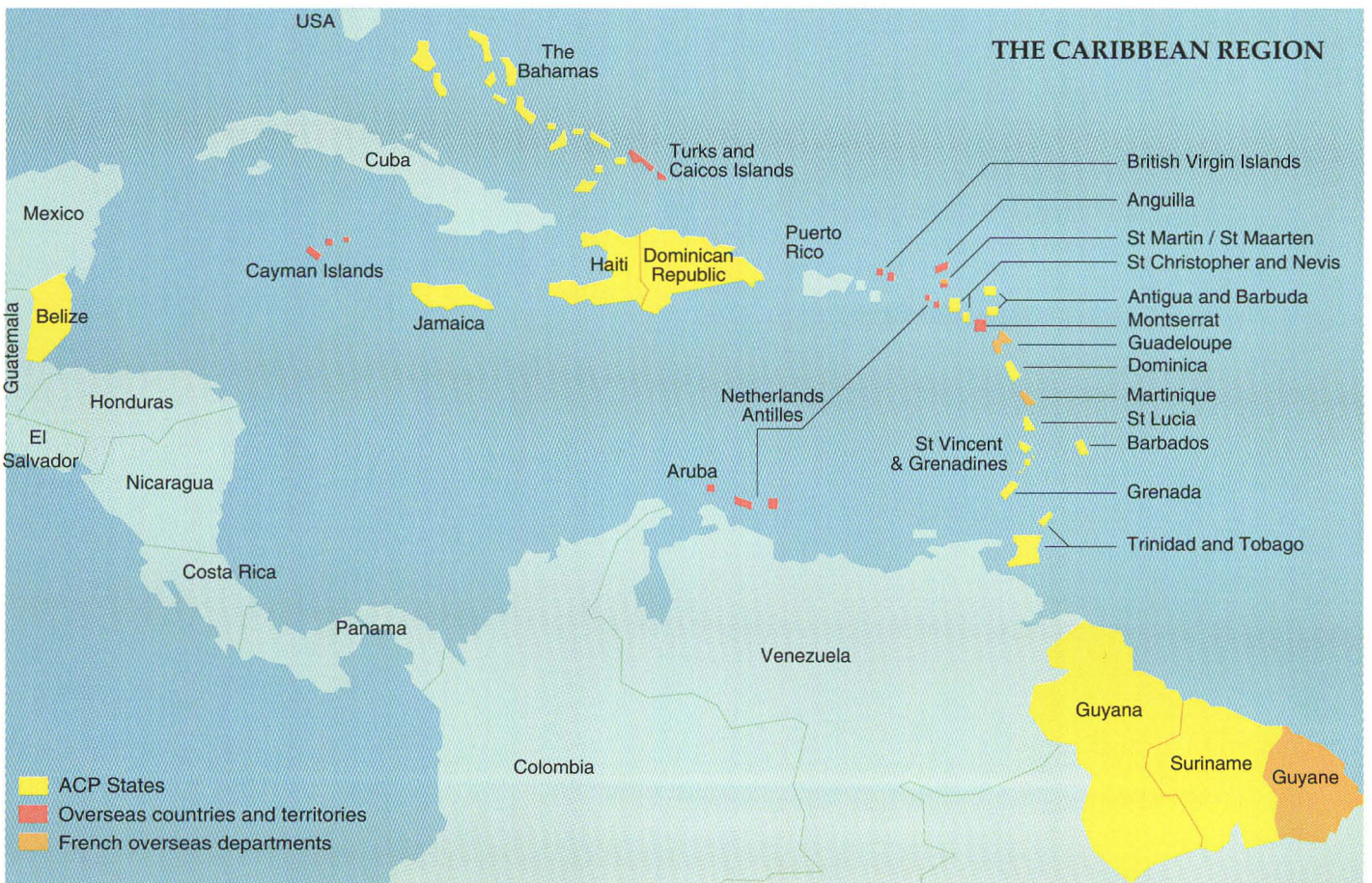
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# INTRODUCTION

Antigua & Barbuda, the Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St Christopher & Nevis, St Vincent & the Grenadines, St Lucia, Suriname, and Trinidad & Tobago are all part of a group of independent **African, Caribbean and Pacific (ACP) countries** which have signed a comprehensive co-operation agreement – the Lomé Convention – with the European Union (EU).

Two of the Union's Member States, the United Kingdom and the Netherlands, have constitutional ties with a number of countries and territories in the Caribbean region: the United Kingdom with Anguilla, the British Virgin Islands, Cayman Islands, Montserrat, and the Turks & Caicos; and the Netherlands with the Netherlands Antilles and Aruba. Relations between the Union and these **Overseas Countries and Territories (OCT)** are governed by successive Council Decisions on the Association of the OCT to the EU.

Guyane, Guadeloupe and Martinique count as French **Overseas Departments (OD)** – and are an integral part of the European Union, being French depart-

ments and regions of France in just the same way as, for example, Brittany. As a result these OD get full benefit of all Union common policies (the common agricultural policy, the transport policy, the energy policy etc.).

As signatories to the Lomé Conventions and Association Decisions the ACP countries/OCT are entitled to a number of trade and aid advantages. On the trade side, all OCT exports and almost all ACP exports can enter the EU market free of duties or quotas. Special arrangements for sugar, bananas, rum, and rice, and for compensation for losses on exports of other commodities, are also of assistance.

On the aid side, the Union has been operating an increasingly substantial programme of financial and technical co-operation. When the 7th European Development Fund<sup>1</sup> programmes are completed, it will have transferred some 1785 million European Currency Units<sup>2</sup> (ECU) to the Caribbean region since 1975.

Convinced of the tangible benefits of regional co-operation after some 35 years of practical experience in Europe, the Union provides encouragement and financial and technical assistance to Caribbean regional co-operation initiatives. Regional funds are co-ordinated by the Caribbean Forum (CARIFORUM) – made up of all the Caribbean Community (CARICOM) countries (apart from Montserrat), Haiti, the Dominican Republic and Suriname.

The importance of EU-Caribbean relations is underlined by the presence in Brussels of a diplomatic mission from several of the Caribbean states. On its side, the European Commission maintains 8 delegations and 3 sub-offices in the region to implement its aid programme.

This brochure presents the principal aspects of co-operation between the European Union and the ACP States/OCT/OD of the Caribbean region. Less comprehensive co-operation agreements have been signed between the EU and a number of other countries in the Caribbean region – with the Central American Common Market (Costa Rica, Nicaragua, El Salvador, Honduras and Guatemala), Mexico, and the Andean Pact countries (in the Caribbean, Venezuela and Colombia) – offering preferential treatment under the Union's Generalised System of Preferences (GSP) for exports and financial aid. These relations are detailed elsewhere.

	EUROPEAN UNION	THE CARIBBEAN
Countries/territories	12*	25
Total area	2 362 939 km <sup>2</sup>	599 276 km <sup>2</sup>
Population	347 million	21 million
Average GNP per capita**	US\$ 17 346 (1991)	US\$ 4 438 (1992)***
Main exports	Steel, machinery, vehicles, chemicals, foodstuffs	Bananas, sugar, coffee, bauxite, rice, rum



\* Data refer to the EU before the accession on 1.1.1995 of Austria, Finland and Sweden, which did not contribute to the co-operation programmes described in this brochure.

\*\* Based on World Bank data published in World Development Report, 1993 and on the Caribbean Development Bank Annual Report 1993.

\*\*\* Excluding Haiti.

<sup>1</sup> See page 4.

<sup>2</sup> 1 ECU = 1.24 US dollars in October 1994.

# THE EUROPEAN UNION AND DEVELOPMENT CO-OPERATION

## The Union in Europe

The European Union is made up of fifteen countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom<sup>1</sup>. All these countries signed three treaties which formed the initial framework for the construction of a united Europe – notably the **European Coal and Steel Community (ECSC)** treaty in 1951, and both the **European Atomic Energy Community (EURATOM)** treaty and the **European Economic Community (EEC)** treaty in 1957.

The aim of these treaties was the formation of an economic union – facilitating progress towards monetary and political union – in which goods, people, capital and services can circulate freely and where foreign trade, agriculture, fisheries, transport and other sectors of the economy are governed by common policies.

The **Single Act (1986)** increased the Community's scope and decreed that the internal market should be completed by the end of 1992. Under the **Treaty on European Union (1992)** – often known as the **Maastricht Treaty**, the EEC became the European Community (EC), and, with the old ECSC and EURATOM, was subsumed into a new entity called the European Union. The Union is a grouping of the same member states but has wider powers – covering **justice and home affairs**, the establishment of **economic and monetary union**, and a **common foreign and security policy**.

The treaty delegates responsibility for conducting policy in the sphere of development co-operation to the EC. For this reason – and because much of the co-operation discussed in this brochure was in operation before the creation of the EU – the term 'Community' will frequently be used.

## The Union in the World

In its relations with other countries the Union seeks to encourage world trade and the economic development of the poorer countries.

It has supported successive rounds of tariff reductions: at 5.6% the average level of its own external tariff is one of the lowest in the world. It is a party to all international commodity agreements, and has set up a sizeable fund to help stabilise the export earnings of many producer countries.

In addition to its trade activities, the Union contributes to the economic development of the

## European Union Institutions

1. **The European Council:** comprising the Heads of State or Government of the Member States, the Council meets twice-yearly to lay down guidelines for Union policy.
2. **The Council of the European Union:** the decision-making body, where Member States are represented at ministerial level.
3. **The European Commission:** proposes and implements common policies, makes sure that the treaties are observed, and draws up the Union budget. It has 20 members, called 'Commissioners', appointed for five years.
4. **The European Parliament:** generates initiatives for the development of Union policies, adopts the Union budget each year after discussions with the Council, and gives its opinion on Commission proposals. It has 626 members, directly elected every five years.
5. **The European Court of Justice:** settles disputes arising from the application of Union law. It has 16 judges.
6. **The Court of Auditors:** checks that Union funds are properly spent.

Other bodies:

**The Economic and Social Committee:** an advisory body representing employers, trade unions and other interest groups. It gives opinions on Commission proposals.

**The European Investment Bank (EIB):** endowed with capital subscribed by the Member States, the Bank raises money on capital markets to finance loans to Union, Eastern and Central European, Latin American and Mediterranean countries, as well as to the OCT and ACP States.

**The Committee of the Regions:** newly established by the 1992 Treaty, this committee of 222 members representing local and regional authorities must be consulted before adoption of decisions affecting regional interests.

majority of countries in the Third World. It devotes a share of its annual budget to aid programmes in the southern and eastern Mediterranean, in Asia and in Latin America; and it provides assistance to 70 African, Caribbean and Pacific countries and 20 OCT from the European Development Fund.

Union aid funds represent about 15% of the total aid effort of its Member States, which between them provide over 40% of all official development assistance.

## The Lomé Convention

The Lomé Convention has four essential features:

- It is a ten-year contract freely negotiated between equal partners. The security it offers enables the associated countries to plan their economies with greater confidence.
- It is non-aligned in that it respects each partner's freedom to choose its economic system, political regime and development

<sup>1</sup> Austria, Finland and Sweden joined the European Union on 1 January 1995. They will contribute to the eighth European Development Fund.

## The European Development Fund

The European Development Fund (EDF), to which all EU Member States contribute, finances projects and programmes in the ACP States and the OCT. It is administered by the Commission (with the exception of risk capital, administered by the European Investment Bank).

The Fund is renewed every five years. Since 1958, when the first EDF was set up, there have been seven successive funds, each backing up (until 1990) a five year Lomé Convention/Decision on the Association of the OCT to the EU. The fourth Lomé Convention/Association Decision of 25 July 1991 will run for 10 years (1990-2000), so the seventh EDF will cover the first five years of the Convention/Association Decision.

The total size of the fund has been steadily growing:

	million ECU
EDF IV	3 222
EDF V	4 818
EDF VI	7 500
EDF VII	10 940

The proportion of grants to loans has also risen, from 75% of the 6th EDF to 92% of the seventh EDF.

Each fund is supplemented by loans from the EIB. The Bank may lend up to 1 225 MECU over the period 1990-95.

The bulk of the EDF is divided among the ACP countries/OCT for their national or regional development programmes. Each country and region is allocated a fixed amount at the start of each Convention (372 MECU for the Caribbean ACP States, 86 MECU for the Caribbean OCT and 96.1 MECU for the region from the 7th EDF). The remainder is used for assistance of a kind that depends on circumstances, e.g. structural adjustment support, Stabex transfers, Sysmin loans, emergency aid or refugee aid.

model. It embraces countries represented by governments of varying political tendencies.

- It is a comprehensive agreement that combines a whole range of co-operation instruments providing a balanced response to needs that vary with economic structures and levels of development. The Caribbean ACP States, like all other countries that have signed Lomé, decide themselves which development instruments to use, according to their own priorities.
- Its institutions (ACP-EU Council of Ministers and Committee of Ambassadors, ACP-EU Joint Assembly) make for a permanent dialogue between governments and with the European Parliament.

These institutions operate at different levels:

- The ACP-EU Council of Ministers manages the Lomé Convention at government level, and is the ultimate decision-maker on questions of co-operation.
- The ACP-EU Committee of Ambassadors (based in Brussels) meets more often than the Council of Ministers. This Committee monitors ACP-EU co-operation and has certain powers delegated by the Council of Ministers.
- The ACP-EU Joint Assembly consists of a representative from each ACP State and an equal number of Members from the European Parliament. It meets twice a year. The Joint Assembly serves as a forum for discussions and as a stimulus to ACP-EU co-operation.

Consultations with the two sides of industry can be arranged on the initiative of the Assembly. Ad hoc meetings can also be held under the aegis of the ACP-EU Council of Ministers on 'clearly defined matters of common interest'.

## The ACP Group

Founded in 1975, with the signing of the Georgetown Agreement, the ACP group is made up of 70 African, Caribbean and Pacific countries.

### Institutions

1. **The Council of Ministers:** the supreme body with decision-making power. Member States are represented at ministerial level. The Council defines the broad outlines of the Group's policies, and examines ACP-EU co-operation as well as intra-ACP matters.
2. **The Committee of Ambassadors:** composed of ACP Ambassadors to the EU or their representatives, assists the Council of Ministers and supervises the implementation of the Lomé Convention.
3. **The ACP General Secretariat:** co-ordinates the activities of the ACP institutions. Located in Brussels.

## Association of the OCT with the EU

Part Four of the 1957 EEC Treaty outlined the aims and means of the Association of the Overseas Countries and Territories. Every five years thereafter, the Council has adopted decisions confirming and specifying the characteristics of association, in line with the five Conventions of Yaoundé I, Yaoundé II (the predecessors to Lomé), Lomé I, II and III, negotiated and signed with the independent States. The Decision of 25 July 1991 has been concluded, like Lomé IV, for a period of 10 years.

There are a number of parallels between the regulations covering relations with the OCT and those with the ACP: many points in the Association Decision of 25 July 1991 are in the spirit of Lomé IV – the various areas of co-operation, for example, Stabex and Sysmin, the EDF for the financing of development co-operation, regional co-operation etc. In 1991 the Commission/Member State/OCT partnership was introduced to enable local OCT representatives to be involved in a permanent dialogue with the Union – in contrast to the old system which was mainly confined to a dialogue between the Commission and the central authorities of the Member States whose OCT were concerned. Like the Lomé Convention, then, the Association is based upon open dialogue.

Trade arrangements, however, for products originating in the OCT are more open than those for products originating in the ACP. These differences will be covered on page 9.

# THE CARIBBEAN AND THE EUROPEAN UNION

## ECONOMIC AND POLITICAL SITUATION OF THE CARIBBEAN

### Physical properties

Spanning 4 000 kilometres from East to West and 3 000 kilometres from North to South – thus covering an area far larger than the European Union – the Caribbean region contains a heterogeneous mix of Southern and Central American continental states, and island nations of widely differing size, culture, population and economic development.

Territory size shows great diversity: mainland Suriname and Guyana together account for nearly 65% of the Caribbean ACP/OCT/OD total area with over 350 000 km<sup>2</sup>, while tiny Saba encompasses only 13 km<sup>2</sup>. In general, however, we find small islands – which suffer from ensuing economic constraints such as small domestic markets, geographical remoteness from neighbours and from extra-regional markets and sources of supply, and the need for heavy investments in transport and communications infrastructure. In recognition of these constraints, the Lomé IV Convention makes special dispensation for Island ACP States – and the Caribbean transport and communications sector, in particular, has received substantial EU funding.

Anguilla, the Bahamas, Barbuda, and Barbados are flat, chalky islands, while the Leeward and Windward Islands have many recently extinct or still active volcanoes, with high mountains and steep slopes. Arable land is scarce in a number of countries (only 37% on Dominica), although sugar can be grown on the plains and foothills, and bush crops on the volcanic slopes.

The whole region is at the mercy of unpredictable weather conditions. Dangerous hurricanes – Hurricane David in 1979, Hurricane Hugo in 1989 and Tropical Storm Debby in 1994 – frequently sweep the area, there are long periods of drought, and rainfall is often irregular. EU emergency aid funds, and transfers from the Stabex fund to offset losses in export earnings from agricultural output, have helped afflicted countries.

With some notable exceptions, such as Trinidad and Tobago, Jamaica, Suriname and Guyana (see below), the region is not generously endowed with natural resources – even of the most basic kind. There has been growing awareness of the need to protect existing resources; the EU is supporting various Caribbean government initiatives to safeguard the environment.

### Population

Originating from Africa, India, and Europe as well as from the Caribbean, and speaking in four European languages, a variety of local languages and Creole, the population of the Caribbean ACP/OCT/OD region currently numbers 21 million.

The population of the three mainland Latin American territories is concentrated in a narrow strip along the coast, and on the small, mountainous islands on the coastal plains and lower slopes. By contrast, settlement on the flat islands, such as Barbados, is regular. Population density in the region ranges from 588 per km<sup>2</sup> in Barbados to 3 per km<sup>2</sup> in Suriname, while average annual population growth rates are similarly diverse – currently negative in Guyana as opposed to 2.9% in the Dominican Republic.

Figures for average per capita income for the region as a whole place the Caribbean in the upper-middle income range. Such accounting, however, masks considerable disparity of income distribution in the region; while the Cayman Islands recorded a per capita GDP that equalled Italy's in 1991, Guyana and Haiti rank among some of the very poorest countries in the world. The Lomé IV Convention, in fact, groups 8 of the Caribbean countries under its 'least developed ACP States' category.

The region is well endowed in human resources, particularly since educational standards are generally high. There are universities for each language group – the Universities of the West Indies, of Guyana, of Antilles-Guyane, of the Netherlands Antilles and of Santo Domingo. Again, however, we find exceptions; Haiti's illiteracy rate, at over 70%, is extremely high. The region as a whole suffers from the problem of large-scale emigration of skilled labour and professionals to Europe, to the USA and to Canada.

### Manufacturing, mining and agriculture

Although less important on a regional level, the manufacturing sector makes a substantial contribution to GDP in Jamaica, Barbados, Belize, the Dominican Republic, and St Kitts and Nevis. Principal industrial activities are production of agro-industrial output (notably sugar-based products including rum and other alcoholic drinks), garments and footwear, furniture, and assembly type operations.

Trinidad and Tobago has substantial reserves of oil and natural gas, and has developed a related downstream industrial sector in the form of refineries and petrochemical plants. Bauxite is mined in Suriname, Guyana and Jamaica – the latter's reserves, estimated at some 2 000 million tonnes, are among the largest in the world, and are sufficient to allow exploitation to continue at current rates for another 150 years. Excessive dependence on these commodities, however, has meant that recent price fluctuations on the world market have resulted in considerable economic instability for the countries concerned.

The economies of many other Caribbean countries are equally over-dependent on the production of one or two cash crops – coffee, tobacco, cocoa, coconuts, pineapples,



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coconut palm oil, citrus fruits, rice, and in particular sugar and bananas. Sugar is a major source of foreign exchange for Trinidad & Tobago, Jamaica, Barbados, St Christopher & Nevis, Guyana and Belize – all of which have been consequently hard hit by the slump in the market. Bananas constitute the principal export of Dominica, St Lucia and St Vincent and the Grenadines, and is an important export crop for many other Caribbean countries. Reliant on earnings from similar products, the islands are often in direct competition with each other, and being dependent on a few crops are vulnerable not only to prices and to conditions in the buying market, but also to variable weather conditions. Caribbean bananas, although excellent in quality, have to compete in the world market with the extensive output from Latin American large-scale plantations. Food production has also suffered from the concentration on cash crops, and the region has had to import substantial quantities of food to feed the population.

### **Tourism, trade and services**

Region-wide the tourism industry is becoming an increasingly important source of foreign exchange and employment. For example, tourism accounts for approximately 65% of the Bahamas' GDP and provides employment for over 50% of the working population. Unfortunately the economic strength of this sector is largely determined by external factors – for example, exchange rate movements or recession in the United States or Europe. As the world tourism industry expands, the Caribbean is facing competition from increasing numbers of other holiday destinations. The growth in popularity of cruises – where passengers typically spend little on the islands – is also an economic blow.

Most Caribbean countries have fairly open economies – with export/GNP ratios ranging from 50% to 90%. Exports are generally dominated by primary products (petroleum, bauxite and alumina, sugar, rice, coffee, tobacco and bananas), rum, and clothing, while principal imports are manufactured goods, machinery, fuel, food and chemicals. Many of the Caribbean countries import more than they export, thereby running large trade deficits.

The neighbouring United States is the region's main trading partner, although Europe is an important market for exports and a source of imports for many Caribbean countries. Intra-regional trade is disappointingly low; during the 1980s trade within the CARICOM countries (see page 12) remained below 10%, compared with a figure of close to 50% within the European Union. Trade between CARICOM and Hispaniola is limited.

The service sector is growing in importance in the region – in particular data processing and financial services.

### **Structural adjustment**

Declining growth rates, increasing trade and budget deficits, escalating unemployment and inflation, and weighty external debt burdens, have prompted a number of Caribbean countries – to date, Barbados, Guyana, Grenada, Jamaica, the Dominican Republic, Trinidad & Tobago and Dominica – to implement stabilisation and structural adjustment programmes.

The general aim is to reduce internal (budget) as well as external (balance of payments) imbalances. Resource allocation and mobilisation will be improved by removing protection for consumers (formerly provided by subsidies and the freezing of prices paid to producers) or importers (by reforming customs tariffs) – and by juggling with monetary and tax policy (offering more attractive interest rates to depositors, raising the basis for taxation and so on). Public sector management is being rationalised or reoriented (reducing the public sector's hold on the economy, reviewing public spending etc.). As mentioned overleaf, these measures are fully supported by the EU, as well as by most other major multilateral donors. A number of Caribbean states have consequently benefitted from the provisions of the Lomé IV Structural Adjustment Facility.

### **Political situation**

With a few exceptions, the countries of the Caribbean region are governed along democratic principles and have good records on human rights.

A trend towards regional co-operation and integration has resulted in the establishment of various regional initiatives – for example, the Association of Caribbean States (ACS), and the Caribbean Community (CARICOM). Such initiatives are described on page 11.

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## INSTRUMENTS OF EU-CARIBBEAN CO-OPERATION

### Trade

While specific trade patterns differ among the individual ACP States, OCT and OD in the Caribbean region, foreign exchange is generally earned by the export of primary products (petroleum, bauxite and alumina, sugar, fish, cocoa, coffee, tobacco, rice and bananas), of rum, and from tourism and services. Main imports are manufactured goods, machinery, fuel, food and chemicals.

Like most other groups of developing countries, the Caribbean region conducts most of its trade with extra-regional countries. The European Union is important both as a source of imports and as an export market for the Caribbean. It is, for example, the main export market for Dominica, Guyana, St Lucia, St Vincent and the Grenadines, and Suriname. Trade arrangements between the two regions are therefore of considerable importance.

### Trade arrangements

The trade provisions of the Conventions and the Association Decisions allow the vast majority of Caribbean ACP exports and all OCT exports (apart from rum) to enter the European Union duty-free and in unlimited quantities. The Union does not however require the ACP States/OCT to apply the same treatment to its own exports – the principle of non-reciprocity – and so they can charge customs duties on the EU products they import. A number of them derive substantial revenue from this source.

As members of the European Union, the OD can trade with the rest of the Union without being subject to customs duties or quantitative restrictions. The Common External Tariff applies to goods imported into the OD from outside the Union, just as it does to goods imported into Le Havre, Hamburg or Genoa.

In addition to Convention general provisions, special arrangements exist for bananas, sugar, rum and rice which are of interest to several Caribbean ACP States. Belize, Dominica, Grenada, Jamaica, St Lucia, St Vincent and the Grenadines and Suriname are all classified as 'traditional suppliers' of bananas to the EU. These countries may export a substantial quota of bananas (as much as 127 000 tonnes per year for St Lucia and 105 000 tonnes per year for Jamaica) to the EU duty-free. Other ACP

suppliers have duty-free access for their bananas within a common quota of 90 000 tonnes per year.

Under the Sugar Protocol the EU agrees to buy a fixed quantity of sugar every year from various Caribbean producers at an attractively high guaranteed price. The protocol is of particular benefit to Guyana and Jamaica, which obtain this price annually for some 159 410 tons and 118 696 tons of sugar respectively. Sugar producers in Barbados, Trinidad & Tobago, Belize and St Christopher and Nevis also benefit.

Martinique, Guadeloupe, Trinidad & Tobago, Jamaica, Guyana, Bahamas and Barbados are major suppliers of rum to the EU. OCT/ACP producers currently have duty-free access to the EU market for an increasing quota of rum. The possible future abolition of the quota is under discussion.

Suriname and Guyana take advantage of the preferential access for rice exports to the EU.

### EU trade with the Caribbean ACP States/OCT/OD (in million ECU)

1990		1991		1992	
Imports	Exports	Imports	Exports	Imports	Exports
1 941	4 919	1 913	5 164	2 082	5 087

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A total of 125 000 tonnes of husked rice and 20 000 tons of broken rice can be exported from ACP States with a 50% reduction in the rice import levy – on condition that an equivalent export levy has been collected by the exporting country.

Under a fisheries agreement under negotiation with Dominica, the EU will provide financial compensation for catches made in Dominican waters by fishermen from Martinique and Guadeloupe. The agreement will also include provisions for research and training.

## Trade development

As well as assisting Caribbean trade through general and special arrangements described above, the EU provides assistance, on a national or regional basis:

- to promote individual countries' exports, by financing, for example, participation in trade fairs;
- to support trade policy formulation and harmonisation;
- to provide training in trade matters;
- to develop new products through technical assistance with market research;
- to provide support to small and medium sized enterprises (SMEs) through credit lines and technical assistance to improve their export performance;
- to encourage trade within the region, which is one of the principal aims of CARICOM. An example of EU support in this field is given in the section on regional co-operation.

## Financial and Technical assistance

The French OD are entitled to all benefits which membership of the European Union bestows – notably access to the European Regional Development Fund (ERDF) which seeks to stimulate the development of the EU's economically disadvantaged areas, the European Agricultural Guidance and Guarantee Fund (EAGGF), and the Social Fund (ESF).

The Conventions and the Association Decisions, backed up by five-year European Development Funds (EDF) and the capital resources of the European Investment Bank

(EIB), offer assistance in a variety of forms to Caribbean ACP States/OCT. While previously between two thirds and three quarters of all EDF assistance was in the form of grants, under Lomé IV the proportion of grant aid has risen to 92%.

The larger part of the EDF is available for development projects chosen by the ACP States/OCT and approved by the Union. Each State/OCT has a fixed amount to spend on its national programme. Works, supplies, studies and technical assistance can all be financed for initiatives in sectors such as human resource development, agriculture, trade and tourism, transport and communications, which complement national development strategies. Environmental protection is always taken into consideration.

In addition, funds are available for regional projects benefitting two or more countries, co-ordinated, in the case of the Caribbean, by CARIFORUM (see page 11). Under Lomé IV Caribbean regional aid has two priority objectives: economic integration and co-operation, and sustainable development.

In the Caribbean, EDF programmable aid – aid for national and regional programmes – amounted to some 135 MECU from the 4th EDF (1975-80), 185 MECU from the 5th EDF (1981-85), 264 MECU from the 6th EDF (1986-90) and should come to some 560 MECU for the period 1990-95 (7th EDF).

An important percentage of recent EDF allocations has provided special support to those countries implementing structural adjustment programmes (1 150 MECU from the 7th EDF make up the 'structural adjustment facility'). These funds – which are additional to normal EDF development aid, and come as grants not loans – finance sectoral or general import programmes and technical assistance with structural adjustment measures. The recipient countries – in the Caribbean, Dominica, the Dominican Republic, Grenada, Guyana, Jamaica, and Trinidad & Tobago – have a major say in their use. Counterpart funds generated by the sale of the imported goods chiefly finance operations in the social sector (e.g. health and education programmes, retraining, job-creation schemes...). Participating countries may also direct a percentage of their National Indicative Programme funds towards structural adjustment measures.

Some 14% of the EDF is set aside for the Stabex scheme – which provides cash transfers to

compensate for serious losses sustained on agricultural export earnings as a result of price falls, crop failures or damage to crops. Stabex transfers are only made if justified by circumstances, but these circumstances have arisen quite frequently, and some 37 MECU have already been transferred to the Caribbean countries between 1975 and 1993 for export losses on bananas, cocoa, coconuts, nutmeg, coffee, essential oils, and mace. Although welcome throughout the region owing to its economic dependence on a small number of products and its vulnerability to extreme weather conditions, the scheme has been of particular benefit to producers in Haiti, Grenada, Dominica and Jamaica, St Lucia and St Vincent.

The Sysmin facility, introduced in Lomé II for mining operations in difficulty, has proved especially useful for Guyana, recipient of a special loan totalling 34.5 MECU, for Jamaica (25 MECU), and most recently for the Dominican Republic (23 MECU).

A small proportion of the EDF is reserved for emergency aid operations in the wake of natural disasters or serious refugee situations. Afflicted by hurricanes and drought the region has had to call on the emergency aid fund on various occasions.

To assist ACP/OCT enterprises and to support the private sector, risk capital is also provided on easy terms. Risk capital – over 7% of EDF VII – is managed by the European

Investment Bank. Productive projects, particularly in the energy sector, can also be financed with loans from the Bank's own resources, which carry more commercial rates of interest. In practice these are often further reduced by interest rate subsidies from the EDF – to between 3% and 6% under IV. The Bank has so far lent a total of over 400 MECU to ACP States/OCT in the region.

In addition to EDF and EIB resources, part of the Union's annual budget is set aside for assistance to developing countries, especially in the form of food aid and co-financing of NGO projects. Over the years tons of cereals and other foods have been shipped to the region, in response to drought, to feed refugees, or to make up structural deficits. Innumerable projects implemented by non-governmental organisations (NGOs) have received Union support (between 1976 and 1992 some 200 projects were co-financed in Haiti alone).

The world-wide scourge of AIDS has not spared the Caribbean region. A special EU budget-line provides for blood banks, testing equipment, and educational campaigns in affected countries. The problem of drugs similarly receives special attention and budget-line funding.

The table below shows that over the first 20 years of EU-Caribbean cooperation, the Union has spent or committed in one form or another some 1 785 MECU in the Caribbean region.

#### EU Financial Assistance (EDF + EIB + EC budget) to the Caribbean ACP States/OCT (million ECU)

	1976-80	1981-85	1986-90	1991-95	Total
National Programmes	109.5	133.5	186.5	292.7	722.2
Regional Programmes	26	62.1	78.6	96.1	262.8
EIB loans (including risk capital)	29.9	127.5	133	110.5	400.9
Interest rate subsidies on EIB loans	1.5	6.7	6.2	10.6	25
Stabex	3.2	13.8	3.7	43.9	64.6
Sysmin	-	25	-	23	48
Structural adjustment support	-	-	-	36.7	36.7
Food aid, emergency aid and other assistance (NGO co-financing, ecology, AIDs etc.)	69.5	46.4	53.9	55.2	225
<b>TOTAL</b>	<b>239.6</b>	<b>415</b>	<b>461.9</b>	<b>668.7</b>	<b>1 785.2</b>
<b>GRAND TOTAL</b>	<b>1 785.2</b>				

## REGIONAL CO-OPERATION

Faced with many and varied constraints to development, the countries of the Caribbean have sought over the years to tackle them collectively as well as individually.

A number of attempts have been made in the past to promote economic integration – the most ambitious and wide-ranging got underway in July 1973 with the establishment of the Caribbean Community and Common Market (CARICOM). Aiming to promote economic integration, co-ordinate foreign policy, and to provide common services in areas such as shipping, health, education and women's affairs, CARICOM currently comprises 13 members: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St Vincent and the Grenadines, Trinidad and Tobago, St Kitts and Nevis, St Lucia, and Montserrat. Haiti, Suriname and the Dominican Republic have observer status in certain areas of the Community's competence.

Despite the emergence of economic, commercial and political differences, which must be inevitable in such a heterogeneous region, the wide-ranging scope of CARICOM's objectives

and its large membership mean that the organisation is a major catalyst for regional integration.

Recent further efforts at integration in the region have included the creation of the Association of Caribbean States – which encompasses all countries bordering the Caribbean Sea.

The European Union has provided regional funds since 1976 (27 MECU under Lomé I, 55 MECU under Lomé II, 73 MECU under Lomé III, and 90 MECU under Lomé IV for the ACP states; 6.5 for 1981-85, 5.6 MECU for 1986-90, and 6.1 MECU for 1991-95 for the OCT). Lomé I, II and III regional funds were mainly channelled through CARICOM, while the recently established Caribbean Forum (CARIFORUM) – encompassing the CARICOM countries (with the exception of Montserrat), Haiti, the Dominican Republic and Suriname – disburses Lomé IV regional funds. Under the Lomé IV regional indicative programme economic integration and co-operation and sustainable development have been identified as the two priority objectives.

### CARIBBEAN REGIONAL PROGRAMMES, BY SECTOR

(EU commitments, in million ECU)

#### Caribbean ACP States Regional Programme:

	Lomé I	Lomé II	Lomé III	Lomé IV
Allocation	26	55.6*	73	90
Transport & communications	12.7 (50%)	12.2 (20%)	25.5 (35%)	6.3 (7%)
Human resources development (plus general technical assistance)	7.9 (31%)	32.5 (54%)	25.5 (35%)	22.5 (25%)
Trade and tourism	-	-	14.6 (20%)	24.3 (27%)
Agriculture/Rural development	4.7 (19%)	15.5 (26%)	7.3 (10%)	22.5 (25%)
Environment	-	-	-	12.6 (14%)
Other	-	-	-	1.8 (2%)
<b>Total</b>	<b>25.3</b>	<b>60.2</b>	<b>73</b>	<b>90</b>

The OCT regional programme addresses regional co-operation between the French, British and Dutch OCT in the Caribbean region. Although the Caribbean ACP and OCT regional programmes are quite distinct from each other, funds from both are in many cases used to co-finance projects which promote closer ties between the OCT and the ACP countries in the region.

#### Caribbean OCT Regional Programme:

	1981-85	1986-90	1991-95
Total	6.5	5.58	6.1

\* 12 MECU of Lomé II funds, uncommitted in 1987, were included in the Lomé III programming process.

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## HUMAN RESOURCE DEVELOPMENT

In common with the rest of the developing world the Caribbean region suffers from a shortage of qualified indigenous professional and managerial staff in the public and private sectors, of skilled workers, of teachers and of teaching equipment. The two newest members of the Caribbean ACP group, Haiti and the Dominican Republic, record particularly low levels of human resource development; Haiti has one of the highest illiteracy rates in the world at 76%, while the corresponding figure for the Dominican Republic stands at 30%.

Human resource development has been addressed by the EU under substantial regional and national programmes. Furthermore, Lomé IV specifies that there must be a systematic inclusion of a Human Resource Development component in each EDF-funded project and programme, whatever the sector. Training in the agricultural sector is receiving especial attention following recent studies which revealed a pressing need to expand the numbers of trained agricultural technicians.

Regional EDF funding has been principally directed towards support for key tertiary-level regional institutions. There has been considerable collaboration, in particular, with the University of the West Indies (UWI) – which serves regional co-operation well due to its high level of specialisation at three campuses (Jamaica, Trinidad & Tobago, and Barbados), its readiness to grant scholarships to students from economically disadvantaged areas, and its co-ordination of programmes and activities at regional level.

A major initiative is being planned under the 7th EDF to offer a series of **Masters degree level courses** in liaison with various universities in the Dominican Republic, UWI and the College of Arts, Science and Technology (CAST). Courses will be made available in development economics, business administration, public administration, tropical architecture, historic monument restoration and conservation, agricultural diversification, and natural resource management, to students from all over the Caribbean region. Further EU funding will provide equipment and training for tutors and manual writers to improve **distance learning** facilities.

6th EDF regional funds upgraded the data processing capacity of the Caribbean

Examinations Council (CXC), through the supply of computers and the development of software. 2.5 MECU from the 7th EDF will fund a project aiming to develop a **new examination system for Caribbean 18+ students**, and to **promote the mutual recognition of diplomas** among different countries in the region. Such measures should facilitate free movement of skilled workers to countries with employment opportunities for graduates.

**Education policy and dialogue** is also being addressed with 400 000 ECU from EDF 7. A number of workshops and seminars will bring together decision makers and technicians in the field of basic education, technical and vocational training, and language education.

Finally, a number of **cultural centres** – one for each of the French, Spanish, English and Dutch linguistic groups – will receive EDF 7 funding.

Funding projects under earlier EDFs included a transfer of 10.5 MECU from 5th EDF regional funds to the UWI for agricultural and food related studies, energy-related initiatives, and training and technical assistance in the form of provision of scholarships and awards for undergraduate students from the poorer countries of the region, post-graduate awards, and staff training programmes.

The UWI further benefited from a major 6.2 MECU project from the 6th EDF, with four areas targeted for support:

- **Agriculture and rural development training** – improvement and expansion of buildings and equipment at the Faculty's field station at Valsayn and at St Augustine; expansion of the geo-chemical soil analysis and mapping programmes at the Nuclear Resource Centre and the biotechnology

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research programme in Jamaica; funding for rural development teaching and research in Trinidad, with emphasis on the use of biological wastes, low cost roads and soil/water engineering, notably for erosion control.

- **Institutional development** – financing of library development on all campuses; expansion and improvement of the Learning Resource Centre, and the establishment of a Central Analytical Laboratory, both in Barbados; strengthening of electronic maintenance capability; computer development in Jamaica; and provision of substantial pieces of scientific equipment for use on a shared basis.
- **Training and technical assistance** – training awards for university staff, as required for sub-project implementation; technical assistance for the identification, installation and launching of new courses; provision of equipment.
- **University of the West Indies Distance Teaching Experiment (UWIDITE)** – provision of technical assistance, buildings and equipment for strengthening the capacity of UWIDITE.

A large accommodation project (10 MECU grant and 6 MECU loan) is providing accommodation for students at the main UWI campuses, as well as 180 beds for the College of Arts, Science and Technology (CAST), and 108 beds to the Cultural Training Centre (CTC), both in Jamaica. An additional 1.5 MECU is rehabilitating four halls of residence at the UWI Mona campus, which were severely damaged by Hurricane Gilbert in 1988.

Over 7 MECU from 6th EDF regional funds and from the St Lucia national allocation are

financing an initiative to strengthen tertiary education provisions in the Organisation of Eastern Caribbean States (OECS) region.

New facilities, teaching training, and various new courses will be provided to national colleges, and a regional educational planning capacity will be established. A follow-up programme is being planned under the 7th EDF.

*campus, UWI, Barbados.*



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## TRADE DEVELOPMENT

The majority of the Caribbean countries have relatively 'open' economies. With their small domestic markets and limited supply of necessary resources, an efficient export and import programme is of vital importance for their economic well-being. As an example, over 60% of the GDP of the Bahamas derives from exports of goods and services – in contrast to about 10% in the United States or Japan.

The majority of trade is conducted with countries from outside the region, and the European Union is a major source of imports and market for exports. As a consequence the trade advantages offered under the Lomé Convention and the Association Decisions (see page 9) provide important economic support. EU funds are also channelled towards trade development measures, to help ensure that the region benefits from the world wide trend towards trade liberalisation, and the predicted ensuing increase in trade volume over the next decade.

Over 6 MECU from 5th EDF regional funds (5.8 MECU from Lomé II and 300 000 ECU from the OCT budget) financed a major regional trade development programme. Aiming to improve the marketing of CARICOM goods, the project had three main components:

- development and promotion of common market trade measures and policy instruments;
- the provision of trade information and market advisory services;
- the 'Buy CARICOM' programme – designed to improve market acceptance and consumption levels of goods produced in the common market, and to increase extra-regional sales.

As the programme progressed, it adapted to take account of other regional export development projects such as ECSEDA (see below), the Caribbean Regional Trade Information Network (CARTIS), and the IDB/CAIC/ CARICOM programmes.

ECSEDA – the Eastern Caribbean States Export Development Agency – is a sub-regional export agency based in Dominica, set up with 4.1 MECU of EU funding. Already since its establishment in 1990, ECSEDA has – among other activities – organised successful trade missions to Canada, St Thomas, Martinique, Guadeloupe, and Puerto Rico; a market research mission to the US; formulated a new strategy to give priority to the hard currency markets of the neighbouring ODs, the Dutch Antilles, the US Virgin Islands and Puerto Rico; and targeted international markets for more established experienced and competitive export companies. Packaging and marketing specialists are working on the improvement of packaging and labelling of OECS products.

In association with other donors (the UK, CDB, USAID and UNDP) EDF funds are assisting the OECS countries in the introduction of a common system of computerised customs data collection and trade statistics (ASYCUDA), based upon a system developed by UNCTAD and implemented successfully elsewhere with EDF assistance. The EDF contribution is covering 2/3 of the total cost – and is used to finance micro-computers, and to provide technical assistance in the field of trade statistics. The project is being implemented with the help of the EU's Statistical Office, which has developed the software for trade statistics application. ASYCUDA is now operational in Anguilla, Dominica, Grenada, Montserrat, St Vincent and St Lucia, while the hardware and software have been installed in Antigua and Barbuda, the British Virgin Islands, and St Kitts and Nevis.

6th EDF regional funds have financed a study examining trade between CARICOM, Guadeloupe and Martinique. The findings have been published in a guide for CARICOM exporters.

A new trade development programme encompassing the new ACP States (Dominican Republic and Haiti) is currently being appraised for financing from 7th EDF regional funds.



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## TOURISM

Attracted by the climate, beautiful surroundings and vibrant culture, an increasing number of tourists from Europe, the United States and other areas visited the Caribbean over the last decade. Regional earnings of foreign exchange from tourism are estimated to have risen by as much as 10% over the 1980s, and experts predict that the tourism sector – along with other service industries – will become the future engine of growth behind the Caribbean economies. Efforts are now being made to ensure that other sectors of the economy benefit from the strength of the tourism industry and that 'leakage' of earnings abroad is prevented; operators are being encouraged to invest their earnings in the local economy through local purchases and employment of Caribbean nationals, and producers to meet the standards and quantities demanded by the industry.

Funds from Lomé III (article 100) are financing two large projects in this sector. The first – the 9 MECU Caribbean Tourism Development Programme – is being conducted through the Caribbean Tourism Organisation and focuses on five areas:

- technical assistance and short term consultancies in the product development field;
- joint market development with the European travel trade and Caribbean national tourism offices;
- market research and dissemination activities;
- short training courses for public and private sector employees and longer traineeships for Caribbean nationals in Europe;
- linkage development – a scheme to increase tourism sector use of regionally produced goods and services.

The second programme – funded with 3 MECU – focuses on tourism development in the OECS sub-region.

90 manmonths of technical assistance is being provided to the OECS Economic Affairs Secretariat in Antigua, which is implementing the project. Other activities include product development (policy, hotel stock rehabilitation and expansion, training in the public and private sector), market development, and promotion of the destinations in Europe.

Still under the 6th EDF, the shortage of trained manpower in the sector is being addressed by a 4.4 MECU project, which is contributing to the establishment of a comprehensive and integrated regional hotel and tourism training system. Technical assistance and equipment for training is being provided, along with the construction of a student hostel and some refurbishment work at the present campus of the Bahamas Hotel Training College.

The 5th EDF provided some 5.8 MECU to the Caribbean Tourism Association to establish an office in Frankfurt, assist this office with promotional activities, undertake research activities through the establishment of a pool of marketing experts in the Caribbean, and make research support available. Further funds supported a number of workshops and seminars (marketing, socio/cultural dimensions of tourism, tourism education), a handicraft promotion programme, and an eco-tourism conference in Belize.

Finally, a new programme of sector support bringing in the region's new ACP States is currently being appraised for financing from 7th EDF regional resources.

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# AGRICULTURE

Although on a regional level agriculture's share of overall output dropped over the last decade, the sector still plays a vital economic role in terms of providing employment, export earnings and food supplies. In Guyana, for example, the share of agriculture in GDP actually increased in the 1980s from some 23% to over 30%, and in Haiti the figure now stands at close to 35%.

The major theme of EU regional funding to the Caribbean agricultural sector under EDF 7 is diversification. Initiatives under consideration at the time of writing include:

- Provision of a credit fund for small farmers and agri-business entrepreneurs involved in the production of vegetables, flowers, spices, herbs and tropical fruits. Funds will finance production, transport, processing, marketing and promotional activities.
- Improvement of quarantine legislation for plant and animal exports and imports – ensuring that regulations are stringent enough to prevent the spread of disease, but not so excessive as to restrict trading activities.
- Upgrading of information systems relaying conditions on the regional and international markets to Caribbean producers.
- Financing of rice research facilities to make studies into strains, breeding techniques etc. Collaboration with the already existing Caribbean Rice Information Network is planned.
- Funding to the livestock and aquaculture sectors.

Past EDF funding has been largely oriented towards agricultural research. For example, EU financial assistance has supported a 5-year practically oriented research and development programme being carried out by the Caribbean Agricultural Research and Development Institute (CARDI). With some 5.3 MECU of EU assistance CARDI has targeted on-farm application of research findings in the following fields: tissue culture facilities; sheep and goat development and pasture management; seed propagation for pasture and legumes; soil fertility research; and information and technology transfer.

An inter-regional project, funded by the EU with some 2.2 MECU, has contributed to the development of an international cocoa genebank for the conservation and evaluation of cocoa genotypes. Research results will be made available to Caribbean cocoa producer countries to assist the implementation of their own breeding and collection programmes.

In an effort to curb the spread of Moko disease, which affects banana crops, the EU provided a Senior Pathologist to work with the WINBAN Moko Research Programme based in Grenada. Activities undertaken included examination in detail of the survival rates of the bacteria causing the disease, research into modes of its transmission, and efforts to develop improved techniques to control the spread of the disease. Earlier EU financing had provided technical assistance to WINBAN.

## Food production

A traditional orientation in agricultural production towards export crops has made the region highly dependent on food imports to feed its growing population. The EU has provided important quantities of food aid to the region at times when demand has outstripped supply. Haiti, for example, received in 1992 a total of 20 000 tonnes of cereal equivalents distributed through the United Nations Food and Agriculture Organisation (FAO), and almost 13 000 tonnes distributed through various NGOs. In an effort to promote local production, seeds allocated under these food aid programmes are bought in the region.

In an effort to improve regional food security 5th and 6th EDF regional funds provided the means to the Caribbean Food Corporation to identify, appraise and implement projects in agricultural production, agri-business marketing and the fisheries sector.

## Other assistance

Further Union funding will address the issues of improved land use and management of water catchment basins.

A study to examine the biological, technical and economic feasibility of the mass-production of algae – in support of aqua-culture in the Netherlands Antilles and Aruba – was financed from the 6th EDF.

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## ENVIRONMENT

Rapid growth of coastal populations, the expansion of recreational areas, inappropriate agro-forestry practices, and the concentration of industrial activities in the coastal zone have resulted in irreparable and dramatic alterations to the region's natural coastal eco-systems, and extensive pollution of the sea and inland waters. Restricted land areas available for the human population has meant intensive use and conflicting demands on the vulnerable Caribbean resource base.

Protection of the environment is made a priority issue in the Lomé IV Convention. The text speaks of the development of an 'environmental reflex' – encouraging project planners and implementors to evaluate the effects on the environment of programmes in all sectors before, and not after, approving initiatives. In complement, the 7th EDF Caribbean regional

indicative programme takes 'sustainable development' – the meeting of needs of the present population without compromising needs of future generations – as one of its principal objectives.

EU support will be directed towards:

- the strengthening of the efficiency of regional institutions (e.g. the Caribbean Conservation Association, UWI) as vehicles for environment research management and environmental control, through training for field personnel and consultancy support;
- the development of legislative frameworks, for example, the standardisation of regulations and standards for waste management, particularly agro-chemical waste management, and other toxic residues;

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## TRANSPORT AND COMMUNICATIONS

### Aviation

Air travel remains the most efficient and popular means of transport within the region. As traffic volume expands, questions of air-safety and management have become a priority. It is envisaged that programmes addressing these issues will be financed from 7th EDF regional funds.

7th EDF funds will upgrade security and air navigation safety facilities at the secondary airport of Zorg-en-Hoop located close to the Suriname capital, and Nickerie airport, also in Suriname. Similar work at Timehri airport in Guyana is also to be financed. Improvement of the latter should facilitate access to Georgetown, capital of Guyana and home to the head office of Caricom/Cariforum.

18.5 MECU from Lomé III regional funds financed the establishment of a small airport on Bequia in the Grenadines – to allow air connections with nearby international airports, and thus to develop the island's tourism potential. The project included the construction of a runway, terminal buildings, a control tower and other ancillary facilities. Work was completed and the airport open to traffic by 1992.

The EU provided 5.9 MECU from the 5th EDF to LIAT (Leeward Islands Air Transport Corporation), the island-hopping airline, for technical assistance, training and ground handling equipment.

Various programmes to further improve the air-transport network are currently under discussion. They include: the upgrading of the Newcastle Aerodrome airport on Nevis through the extension of the present runway to cater for larger aircraft; the replacement of the current Terminal Building at the Beef Island Airport on the British Virgin Islands; and the possible provision of finance to construct an airport on Montserrat.

### Maritime transport

Two initiatives to improve the security and efficiency of the Caribbean sea transport network are being considered for funding from 7th EDF regional funds.

A 400 000 ECU grant from 6th EDF regional funds in addition to a 5.9 MECU special loan was made available to WISCO (West Indies Shipping Corporation), a regional shipping company owned by twelve Caribbean governments, for the purchase of two 3 500 ton cargo vessels, port handling equipment, and the provision of technical assistance. The aim of the project was to provide a scheduled service between the different Caribbean islands and the wider Caribbean region.

A ferry service between Guyana and Suriname over the Corentyne river has been made available with over 12 MECU from the 4th and 5th EDFs. The EU funded the construction of an access road and a terminal on each bank of the river, as well as the supply of a roll-on-roll-off ferry vessel.

### Telecommunications

Programmes in this sector earmarked for funding from the 7th EDF include:

- the establishment of a regional satellite news and video network – co-ordinated by the Caribbean Broadcasting Union, the project would provide a central production and co-ordination centre and a number of satellite stations in participant countries around the region;
- studies on the establishment of a central Caribbean Postal Union – necessary to co-ordinate national efforts to address current problems such as the lack of reliability and security in the postal systems, training and technology requirements, and loss of market share to private companies etc;
- support for the Caribbean Telecommunications Union, in particular the provision of technical and legal assistance to define a region-wide regulatory framework.

# CO-OPERATION WITH ACP STATES

## ANTIGUA AND BARBUDA

### BACKGROUND

Called the classic holiday island, Antigua lies on the north-east of the Caribbean chain. It is ringed with beaches – supposedly 365, one for every day of the year.

To the north of Antigua lies one of its sister islands, Barbuda, with Redonda, the uninhabited third sister, over to the south-west.

The tourism industry, together with related services, accounts for 60% of GDP.

During the 1980s Antigua recorded impressive rates of economic growth (annual average 9%), due mainly to increases in luxury tourism and in manufacturing, and to heavy inflows of foreign investments including Government borrowing. However, in spite of relatively high per capita income by Caribbean standards, over-dependence on the tourism sector, combined with the global economic recession of the early 1990s, revealed the vulnerability of this small island economy. The Government has also chalked up a huge foreign debt, which, if not drastically cut, might adversely impact on the country's ability to restore its economic and social infrastructure to standards necessitated by its growth requirements.

### DEVELOPMENT CO-OPERATION

Since 1976, financial resources allocated by the European Community to projects, programmes and operations in Antigua and Barbuda have totalled some 16.9 MECU.

Assistance from the EC to the country has focussed in the past on infrastructure (38.5% human resource development (28%), agriculture and livestock (21%), and technic assistance (5%).

EC financial assistance under the Lomé I and II Conventions centred on water conservation and distribution, road rehabilitation, and livestock development. This latter project aimed at improving grazing techniques and assisting a few small farmers to develop viable holdings.

Under Lomé III, about 80% of grant funds were allocated to the improvement of the road network through the reconstruction of a 5.9 kilometre section of a main road link between the capital and areas of planned and existing residential and tourist development. The remainder of the funds was used to finance technical assistance in the area of statistics, in particular for the implementation of a demographic census – and additional support was planned for training of radar operators in connection with a soft loan from the European Investment Bank for the provision of radar equipment for traffic control at Antigua International Airport.

The Lomé IV National Indicative Programme concentrates on human resource development. Studies and preparatory

### Profile:

Date of Independence: 1.11.1981

Capital: St. John's

Area: 442 km<sup>2</sup>

Population: 64 300

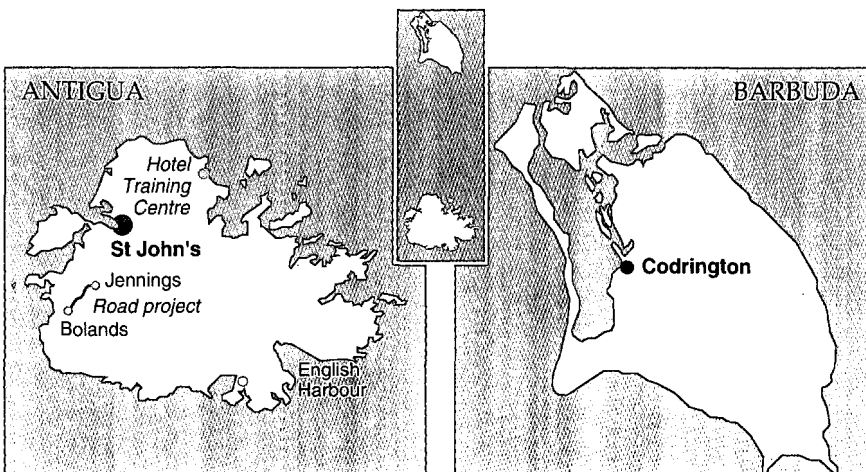
Language: English

Main economic activity: Tourism

GNP per capita: US\$ 6 769 (1992)

Currency: Eastern Caribbean dollar

1 ECU = 3.35 Eastern Caribbean dollars (October 1994)



discussions were completed for a decision to be taken by the end of 1994 on the reconstruction and development of the Antigua Hotel Training Centre – damaged during Hurricane Hugo in 1989. Funds are also earmarked for the building of a secondary school in Bolands, and for continued support to small livestock farmers.

The European Investment Bank's assistance to Antigua and Barbuda mainly consists of a risk capital loan to finance the installation of radar navigational facilities at V. C. Bird International Airport. A Lomé IV risk capital global loan to a local financial institution to assist small- and medium-sized industrial, agro-industrial and tourism enterprises is under consideration.

Antigua and Barbuda is a member of the recently formed Association of Caribbean States (ACS), CARICOM, the Caribbean Forum and the OECS – the latter having established a single monetary area, a common currency (the Eastern Caribbean dollar) and a common central bank (the Eastern Caribbean Central Bank). Antigua takes full advantage of the regional co-operation instruments of the Lomé Convention. Regional and sub-regional projects – which are additional to funding under the National Indicative Programme – from the European Development Fund's regional finances are fully described in the regional co-operation pages of this brochure.

Past and current regional projects of direct benefit to Antigua and Barbuda include such projects as the Eastern Caribbean States

Export Development Agency (ECSEDA), Automated Systems for Customs Data (ASYCUDA), the OECS Tertiary Education Project, and the Caribbean Agricultural Research and Development Institute (CARDI). The country is also a direct beneficiary of the OECS Regional and Caribbean Regional Tourism Development Programmes, under execution over the period 1992-95.

Over the years, Antigua and Barbuda has also received assistance under the Commission's Regional Trade Fair and Non-Governmental Organisation Programmes, and has benefitted from the Community's Emergency Aid Programme during a period of severe drought in 1982, and following Hurricane Hugo in 1989. The country also receives assistance to support AIDS prevention.

## TRADE ARRANGEMENTS

Under the Lomé Conventions Antigua and Barbuda benefits from duty- and quota-free access to the European Community market for all its manufactured goods and the vast majority of its other exports.

### Community Aid (allocations in million ECU)<sup>2</sup>

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	3.2	2.7	4.5	3.5
EIB loans: risk capital			1.5	1.0
Other (emergency aid, NGO projects, AIDS control programme)		0.1	0.4	
Total	3.2	2.8	6.4	4.5
<b>Grand total</b>	<b>16.9</b>			

<sup>2</sup> The above figures do not include regional projects and programmes of direct or indirect benefit to Antigua and Barbuda.

# THE BAHAMAS

## BACKGROUND

The Commonwealth of the Bahamas comprises 700 coral islands and about 1 000 cays, of which only 30 are inhabited.

Tourism is the dominant sector of the economy, which also depends on banking and finance – and, due mainly to the proximity of the North American market, has developed into a successful year-round industry. Attracting over 3 million visitors in 1991, the tourism industry accounts directly and indirectly for approximately 65% of GDP and provides employment for about 52% of the working population. Although total arrivals by air and sea increased by the end of 1992, the number of stop-over visitors continued to contract. The count of cruiseship visitors increased but spending by visitors remained on its downward course.

The recent change in Government has raised expectations of economic recovery and improved job prospects. In the long term, the Government's plans to increase foreign investment and sell off Government enterprises should improve the islands' growth potential. Keeping the fiscal deficit under control will, however, require austerity measures and tough spending controls.

## DEVELOPMENT CO-OPERATION

Under the first three Lomé Conventions 7.9 MECU was allocated to projects in the Bahamas. Under Lomé I and II the EC supported Government efforts to diversify the economy by funding an Animal Feeds Pilot Plant and a Fruit Crop Nursery. The EDF contributed to the promotion of small- and medium-sized enterprises through the provision of a line of credit.

The Health sector has also received support; health care centres were constructed in three outlying areas (High Rock in Grand Bahama, Wiliam's Town in Exuma and Weymess Bight in Eleuthera) to provide hitherto lacking preventative and medical care.

The bulk of funds under Lomé III, totalling 4 MECU, were spent on energy and infrastructure projects. To address the limited electricity supply on the Family Islands, the government has established a multi-annual extension programme under which the Bahamas Electricity Corporation is contributing towards electrification, as well as refurbishment and extension of existing electricity plants. 65% of total Lomé III resources have been allocated to this programme.

The rehabilitation of the Great Abaco Highway was also financed under Lomé III.

## Profile:

Date of Independence: 10.7.1973

Capital: Nassau

Area: 3 930 km<sup>2</sup>

Population: 250 000

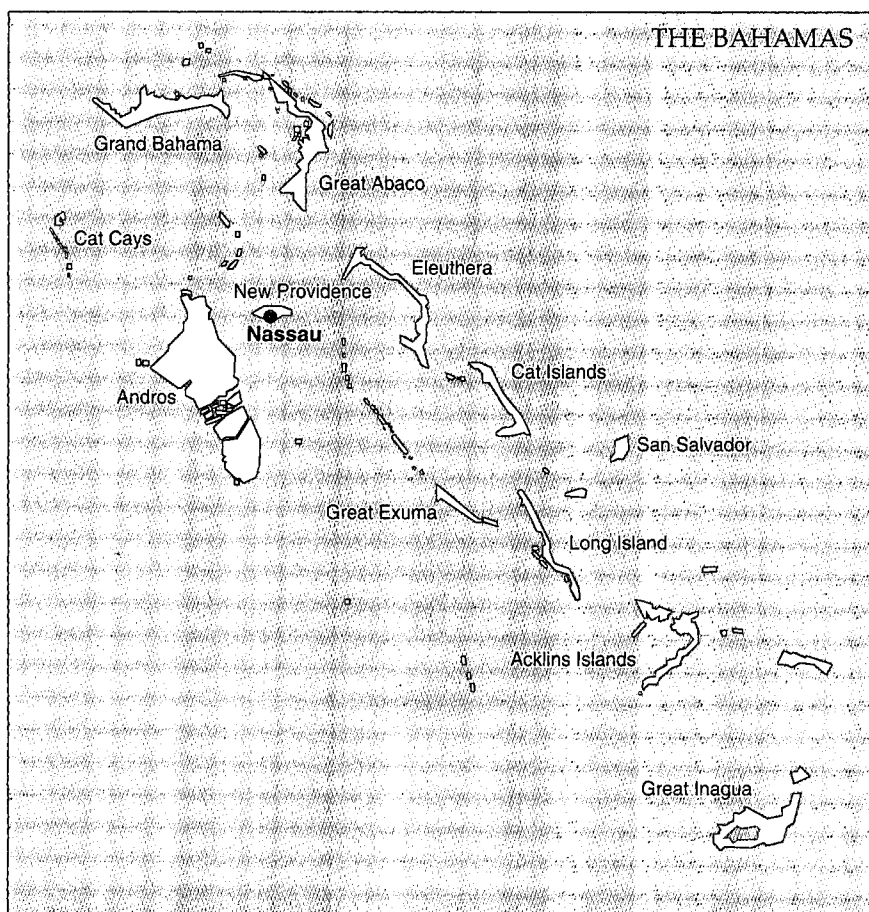
Language: English

Main exports: Fish, citrus, rum and tobacco

GNP per capita: US\$ 11 510 (1990)

Currency: Bahamian Dollar = 1 US Dollar

1 ECU = US\$ 1.24 (October 1994)



The unpaved road between Marsh Harbour and Treasure Cay, covering a distance of approximately 34 kilometres, was upgraded. While the people of Abaco Island were the direct beneficiaries of this project, all Bahamians are benefitting because the Marsh Harbour District is one of the areas which generates the largest amount of revenue in the country.

The total resources available under Lomé IV, amounting to 3.5 MECU, with a balance of 360 000 ECU from Lomé III, have been applied to the rehabilitation of Queens Highway on Long Island, one of the Family Islands.

Over the years, the EIB has financed infrastructural investment amounting to 17.6 MECU. This has included loans to the Water and Sewerage Corporation, and for the improvement and expansion of electricity supply services. Under Lomé IV, the EIB could envisage lending 10 MECU to benefit the same sectors.

The EC has provided assistance to enhance the tourism industry. Support has been given, among other things, for participation in international tourism fairs in Europe.

The country is the headquarters of the 4.4 MECU Caribbean Regional Hotel Training Programme, an on-going EC-funded project which is closely associated with the Bahamas Hotel Training College. The programme has two major components: the construction of a student accommodation building and supply of equipment for the College; and a region-wide training programme.

Outside the Lomé Convention, the Bahamas has benefitted from EC assistance for its AIDS Control Programme. Funds have been provided for the training of counsellors and community leaders.

#### Community Aid (allocations in million ECU)

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	1.8	2.1	4.0	3.5
EIB loans: own resources			17.6	
risk capital	1.1		1.0	
Interest rate subsidies			3.3	
Total	2.9	2.1	25.9	3.5
<b>Grand total:</b>	<b>34.4</b>			

# BARBADOS

## BACKGROUND

Barbados lies around one hundred kilometres to the east of the main Caribbean chain. The island, built of coral and limestone, is surrounded by white sand beaches.

Over the years, the country has maintained a remarkable tradition of parliamentary democracy, which dates back to 1627.

One of the most developed countries in the region, the island is well known for the high level of its education and health services. The main foreign-exchange earners are tourism, sugar, rum, off-shore financial services and manufacturing.

The country's achievements, however, remain fragile because small island economies are inherently vulnerable. After several years of satisfactory economic growth, Barbados' economy went into recession over the period 1990-92, followed by a recovery during 1993-94. Both the sugar and manufacturing sectors are experiencing serious difficulties. The sugar industry, which was placed in receivership in 1992, is barely producing enough for preferential export markets (mainly the EC). The manufacturing sector, which has been in a slump, still suffers from a lack of competitiveness.

In 1992 the Government undertook measures to stabilise the economy through a Standby Arrangement with the International Monetary Fund (IMF). The subsequent adjustment measures have led to a significant fall-out in the social sector and to soaring unemployment. By improving conditions for sustained

economic growth, the structural reforms envisaged in the medium term are designed to enhance Barbados' external competitiveness and reduce the unemployment rate.

## Profile:

Date of Independence: 30.11.1966

Capital: Bridgetown

Area: 432 km<sup>2</sup>

Population: 259 000

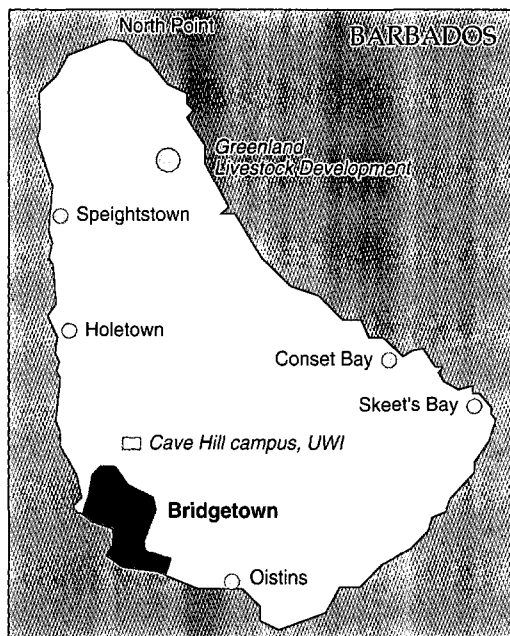
Language: English

Main exports: Sugar, clothing, electronic parts, rum

GNP per capita: US\$ 6 530 (1992)

Currency: Barbados dollar

1 ECU = 2.48 Barbados dollars  
(October 1994)





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## DEVELOPMENT CO-OPERATION

Since 1976 financial resources allocated by the European Community to projects, programmes and operations in Barbados total some 53 MECU<sup>1</sup>. Two-thirds of this amount have been provided through the European Investment Bank (EIB) in the form of subsidised loans or risk capital.

EC assistance to Barbados over the years has covered a wide range of areas – including agriculture, trade and industry, social infrastructure, transport and communications, energy, tourism, and human resources development.

In the area of rural development, major projects have been funded in the fisheries, agriculture and livestock sub-sectors. The Oistins Fisheries Complex in the south of the island – which includes a jetty and a slipway, buildings and highway construction, refrigeration and other equipment – has brought benefits to a large number of fishermen and a wide section of the population. Further financing is being considered for the improvement of fishing facilities at Skeetes Bay and Conset Bay on the east coast.

A livestock development programme is being implemented to encourage self-sufficiency for the island in beef and lamb production. It is also expected to reduce imports. The project includes provision for technical assistance and marketing support, as well as credit support for about 400 livestock farmers. Credit to farmers has also been made available in relation to the National Fruit Orchard Project, currently under implementation.

In the area of social infrastructure, the Government sought EC assistance under Lomé I for the upgrading of health care provisions. This included the construction of the Litchfield Polyclinic (subsequently renamed the Maurice Byer Polyclinic) in Speightstown, Barbados' second most important town in the north of the island.

An export-oriented trade and industrial development strategy, recently launched by the Government and the private sector, is being supported from the resources of Lomé III and IV. The export development project through the Barbados Export Promotion Corporation – now restructured into the Barbados Investment and Development Corporation – provides marketing and technical assistance in the area of rum promotion, and product development

through the design centre. The programme also provides expert advice, scholarships and direct designer assistance to selected industries.

This, together with Lomé IV industrial development support, will fit in with Barbados' structural adjustment reform in the export sector.

The European Investment Bank's assistance to the Barbados Development Bank and to the Central Bank Industrial Credit Fund is complementary to the above programmes. Efforts in favour of the indigenous manufacturing sector, micro-businesses, and small- and medium- sized enterprises in Barbados have also been supported through a manufacturing survey, EIB operations, and projects within the National Development Foundation.

The Lomé IV National Indicative Programme has been strongly concentrated in the area of human resources development, with special linkage with the tourism sector. A major co-financing plan has been agreed between the Government and the EC – in support of which the Hospitality Division of the Barbados Community College is being upgraded and expanded. The new facilities will include an integrated training hotel. Student intake is expected to increase from 250 to 400. The project will create additional income for hotel and restaurant staff, for other tourism industry personnel, and for Government's budget.

In the area of transport and communications, the EC has provided technical assistance for a study on the reform of the Barbados Trans-

*Speightstown.*

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<sup>1</sup> Equivalent to approximately 131 million Barbados dollars.

port Authority (bus transport), and in the mid-1980s the EIB financed – with the Barbados Port Authority – the installation of container-handling facilities at Bridgetown Port. Two other sectors, energy and environment, have benefitted from EIB support, for the upgrading of the generating capacity and distribution network of the Barbados Light and Power Company, and the ongoing major sewerage project executed by the Barbados Water Authority on the island's south coast.

Barbados, which hosts a number of regional organisations including the Caribbean Development Bank (CDB), is a party to the newly-created Association of Caribbean States (ACS) and a member of CARICOM. Under Lomé IV the country also belongs to the group of 15 ACP partners who make up the Caribbean Forum. Regional and sub-regional projects – additional to National Indicative Programmes – benefit Barbados within the framework of EDF regional programmes for the Caribbean. Past and current projects of direct benefit to the country include the CARICOM Export Development Project (CEDP), the Caribbean Tourism Development Project, the Caribbean Agricultural Research and Development Institute (CARDI), the Caribbean Food Corporation (CFC) and in the area of secondary, tertiary and higher education, the Caribbean Examination Council (CXC), and the University of the West Indies (UWI). In the future, Barbados will also share with other CARIFORUM countries the support provided in the six sectors mentioned in the regional co-operation pages of this brochure.

Other areas of assistance to Barbados over the years include the provision of scholarships for training, and support to participate in

trade and tourism fairs. Barbados also received emergency aid in 1980 following Hurricane Allen. The country also receives assistance for AIDS prevention.

## TRADE ARRANGEMENTS

Under the Lomé Convention Barbados benefits from duty- and quota-free access for manufactured goods to the EC market.

The European market accounts, on average, for about 20% of Barbados' imports and 15% of its exports, excluding the invisible trade value of the spending of European tourists in Barbados.

The sugar protocol and an annual quota of 50 312 tonnes provides the largest and most lucrative market for sugar exports from Barbados. Preferential access to the EC market at prices much higher than world levels has constituted over the years for Barbados the most important benefit of the Lomé Convention. The implicit subsidy thus deriving from the sugar protocol can be estimated at approximately one-sixth of the value of total Barbados sugar exports.

The rum protocol has traditionally offered duty-free access to the EC for rum exports from Barbados. The overall Community quota is being progressively and automatically increased – and should be eliminated after 1995.

### Community Aid (allocations in million ECU)<sup>2</sup>

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	2.7	3.7	5	3.5
EIB loans: own resources	7.5	9.6	7.2	10
risk capital		0.1	1	
Other (emergency aid, NGO projects, AIDS control programme)	0.1	0.6		
Total	10.3	14	13.2	15.5
<b>Grand total</b>	<b>53</b>			

<sup>2</sup> The above figures do not include regional projects and programmes of direct or indirect benefit to Barbados, nor quantified benefits from the sugar and rum protocols.

# BELIZE

## BACKGROUND

Belize, which lies on the Caribbean coast of Central America, is a land of thick forest, rivers and waterfalls, and abundant wildlife. The country is bordered by Mexico to the north, and by Guatemala to the west and south.

The population, totalling around 190 000, originated mainly from Africa, Europe, the Mayas and Carib Amerindians, Mexico and India. A 1991 census showed that the 'Mestizos' represent 44% of the population, while Creoles are the second largest group at 30%. The country is well known for its Mayan sites, which include ancient settlements and temple remains.

The main sectors of the economy are agriculture, fisheries and tourism.

## DEVELOPMENT CO-OPERATION

The EC has played a significant role in upgrading health services in Belize. A three-year project to extend and improve primary health care services to a number of villages in the Cayo District was financed at a cost of just under 1 MECU.

In this area, refugees and immigrants are being integrated into the community. The project included the training of 40 community health workers, equipment for two mobile

## Profile:

Date of Independence: 21.9.1981

Capital: Belmopan

Area: 22 000 km<sup>2</sup>

Population: 189 000

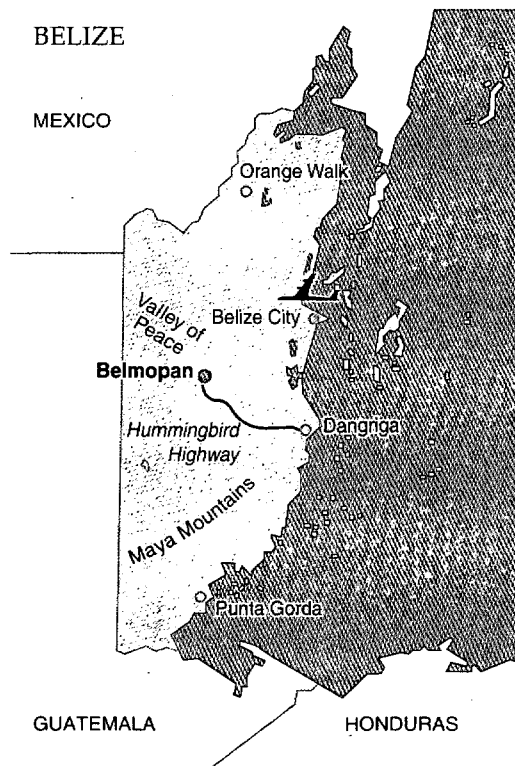
Language: English (and Spanish)

Main exports: Sugar, citrus concentrate, fish, bananas, garments

GNP per capita: US\$ 1 970 (1990)

Currency: 1 Belize dollar = 0.5 US dollars

1 ECU = US\$ 1.24 (October 1994)



*Junior secondary school, Orange Walk.*

health clinics, the construction of over 700 improved pit latrines and 11 rainwater storage tanks in 12 villages.

An additional 530 000 ECU was allocated for the settlement of refugees and nationals in the Valley-of-Peace (VOP) in the Cayo District.

The EC is also financing the construction and equipment of the New Belize City Hospital. This project, which is the largest EC intervention so far, is being funded from Lomé II, III and IV programmes at a total cost of 12.8 MECU. The governments of Spain and Belize are also participating. The new hospital is expected to make a major contribution to health care from 1994, when it is scheduled to be commissioned.

Also under Lomé III, micro-credit operations targeted equally at nationals and immigrants – who would find difficulty obtaining credit through commercial institutions – were completed with an allocation of 500 000 ECU.

A major project, begun under Lomé III and with an allocation of 5.4 MECU, is the improvement of a 12 kilometre section of the Hummingbird Highway. The Highway improvements have significantly reduced travel time, discomfort and the cost of journeys between the Capital and the developing southern half of the country.

Belize has been allocated 11.5 MECU (9 MECU in grants and 2.5 MECU in risk capital) under the fourth Lomé Convention. 4 MECU has been earmarked for the focal economic infrastructure sector to continue the improvement of the Hummingbird Highway, with most of the balance applied to the New Belize City Hospital Project.

EC funding has furthermore made important contributions to the strengthening of secondary education, veterinary services and international aviation. 500 000 ECU has been spent on the extension of the apron at the international airport, in response to steadily increasing traffic.

Assistance to Belize has also included the provision of 500 000 ECU to enable small agricultural and commercial enterprises to obtain credit through the National Development Fund of Belize (NDFB) in collaboration with a British NGO. Co-operation outside the Conventions has included financial assistance to the National Drug Abuse Control Council.

## TRADE ARRANGEMENTS

*near Belmopan.*

Total sugar production in 1991 was 103 550 million tonnes, of which the full quota of 39 400 tonnes was exported to the Community. This was increased by a further 2 960 tonnes on reallocation of the shortfall in exports from Guyana.

Banana production in 1993 amounted to about 40 000 tonnes, the bulk of which was exported to the UK under preferential terms.

### Community Aid (allocations in million ECU)

	EDF 4	Lomé II	Lomé III	Lomé IV
National Indicative Programme	5.6	5.5	8.0	9.0
EIB loans: own resources risk capital				
STABEX	0.3			
Refugee Integration			2.0	
NGO Projects		0.1	0.8	
Drugs Abuse Control			0.2	
AIDS control			0.1	
Total	5.9	8.2	14.6	11.5
<b>Grand total:</b>	<b>40.2</b>			

# DOMINICA

## BACKGROUND

The Commonwealth of Dominica – or Dominica, as it is better known – is the largest of the Windward Islands, and lies between the French islands of Martinique and Guadeloupe. The island is volcanic in origin, and boasts high, steep mountains covered in dense forest, and deep valleys with scores of rivers and streams flowing through them. Rich in animal and bird life, Dominica is known as the 'Nature Island'.

Dominica is home to one of the few remaining communities of Carib Indians, some of the region's first settlers, who continue, to a large extent, to live according to their traditional customs.

Dominica's economy faces a series of constraints typical of small island developing states<sup>1</sup>: a small domestic market; seriously limited industrial opportunities; a narrow resource base; a high per-capita cost of economic and social infrastructure; heavy external dependence; and vulnerability to external shocks, including natural disasters – particularly hurricanes.

Agriculture is the mainstay of the island's economy, and bananas the engine of growth (making up 90% of total agricultural exports). Production is, however, handicapped by the country's topography and lack of economic infrastructure, which limit the availability of land for agriculture to about 30% of the total area.

Against this background, the economy performed well over the mid- to late 1980s,

supported by sound economic policies and propelled by increased banana production and higher prices. Although the economy suffered from damage caused by Hurricane Hugo in 1989, it recovered rapidly. Economic reforms were initiated with the 1986 structural adjustment programme – which considerably strengthened public finances – but were adversely affected by revenue decreases and expenditure increases following Hurricane Hugo.

The recent deterioration in performance of the banana industry and the serious impact of the 1993-94 drought, together with, to a lesser extent, Tropical Storm Debby (September 1994), show, however, the high degree to which Dominica's economy is vulnerable to external shocks and natural disasters.

These constraints, combined with the new challenges of trade liberalisation and increased competition for the banana industry in the world and European Single Market, have encouraged the country to move towards economic diversification.

The fledgling tourism industry, which contributed 2% to GDP in 1991, has continued to grow, and specialised tourism – eco-tourism – is being encouraged. The necessary reform of the banana industry is being undertaken in close conjunction with agricultural diversification.

In order to attract investment and expand the non-traditional base of the economy, the government has been innovative in developing a scheme to grant economic citizenship to investors from the Far East.

## Profile:

Date of Independence: 3.11.1978

Capital: Roseau

Area: 751 km<sup>2</sup>

Population: 71 800

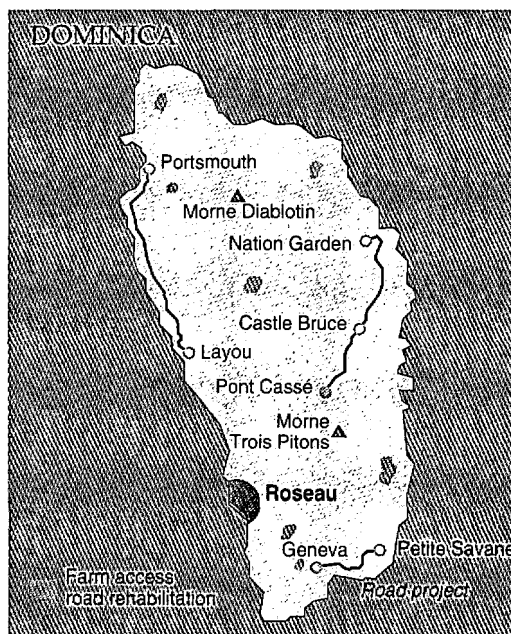
Language: English (and some Creole)

Main exports: Bananas, soap

GNP per capita: US\$ 2 520 (1992)

Currency: Eastern Caribbean dollar

1 ECU = 3.35 Eastern Caribbean dollars (October 1994)



<sup>1</sup> The first UN Global Conference on the Sustainable Development of Small Island Developing States (SIDS) took place in Barbados in April 1994.

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## DEVELOPMENT CO-OPERATION

Since 1976, the European Community has committed some 49 MECU to projects, programmes and operations in Dominica.

Assistance from the EC to Dominica has been largely focussed in the past on agriculture and rural infrastructure. Funds have been principally directed towards roads, in particular the rehabilitation of 42 kilometres of road on the east and west coasts, the reconstruction of a vital road link (16 kilometres) across the centre of the island, primary and farm feeder roads, as well as the Geneva – Petite Savanne road in the south-east of the island.

Agricultural diversification to reduce dependence on the fragile banana crop was the objective of a pilot project to encourage production of patchouli and the distillation of oil from the dried leaves (essential oils), and a lime rehabilitation project in the south-west of the island at Soufriere.

The current programme focusses on the continuation of efforts in the rural development sector towards agricultural diversification. It also places new emphasis on environmental management, planning and projects.

In addition to these sectors, resources have been allocated to a tourism development project for the upgrading of access to tourism sites, and the provision of promotional material. More recently, eco-tourism has been identified as a further area for support – reflecting priority in the linkage development between the environment and tourism sectors.

EIB assistance to Dominica has included loans to the Dominica AID Bank (Agriculture, Industrial and Development Bank) for the development of a bottled water facility, and to the Government to enable it to increase its shareholding in hydroelectricity (3.8 MECU). The DOMLEC hydro-power project involved the construction of a dam at Freshwater Lake, and the installation of three generating units providing a 4.3 MW additional hydro-electric generation capacity. Dominica has also benefitted from EIB financing through the Caribbean Financial Services Corporation for the renovation of the Fort Young Hotel.

Dominica's main agricultural exports, bananas and coconuts, have benefitted from the guarantee mechanism offered to ACP countries through the system of Stabilisation of Export Earnings (STABEX), to the tune of 13 MECU. STABEX insurance for bad years has thus added a 40% value bonus to the

regular development assistance from the EC to Dominica.

Emergency aid totalling 4.4 MECU was allocated to the country following hurricanes in 1979, 1980, 1981 and 1989, and after torrential rains in 1991.

Small development projects at grass-roots level have met with much success in Dominica over the past 15 years; over 25 such projects have been executed and co-financed with Non-Governmental Organisations.

Dominica, which hosts sub-regional organisations, including the Eastern

Caribbean States Export Development Agency, and the Agricultural Diversification Co-ordinating Unit (ADCU), is a party to the wider Association of Caribbean States (ACS) – created in July 1994. Dominica is a member of both CARICOM and the OECS, the latter having established a single monetary area and a common currency (the Eastern Caribbean dollar), as well as a common central bank (the Eastern Caribbean Central Bank). Whether as an OECS or as a CARICOM member, Dominica takes full advantage of the regional co-operation instruments of the Lomé Convention. The country also belongs – under the fourth Lomé Convention – to the group of 15 ACP partners who make up the Caribbean Forum. Regional and sub-regional projects and programmes (additional to the National Indicative Programmes) benefit Dominica within the framework of the EDF regional programmes for the Caribbean – as indicated in the Regional Co-operation section of this brochure.

Past and current projects of direct benefit to Dominica include such projects as the Eastern Caribbean States Export Development Agency (ECSEDA), Automated Systems for Customs Data (ASYCUDA), the OECS Tertiary Education Project, and the Caribbean Agricultural Research and Development Agency (CARDI). The country is also a direct beneficiary of the OECS Regional Tourism and Caribbean Regional Tourism Development programmes under execution over the period 1992-95.

## STRUCTURAL ADJUSTMENT

As a result of a shift from a traditional project-oriented approach to the more demanding reform-oriented policy dialogue, Dominica and the Community have agreed to implement a structural adjustment programme during the 1993-95 period. The programme supports reforms at the macro-economic level to restore internal and external balances, and at a sectoral level to promote agricultural diversification concurrently with quality and productivity improvement in the banana industry. Through the combined use of Lomé instruments, resources have been allocated to this major programme to the tune of 5 MECU.

## TRADE ARRANGEMENTS

Agriculture accounts for about one quarter of Dominica's GDP and 60% of total merchandise exports. The EC absorbs some two-thirds of Dominica's exports. Bananas have made up more than 90% of exports from Dominica to the Community in recent years; in 1992 exports totalled 58 149 tonnes.

The subsidy implicit in the guaranteed banana market in the EC has been estimated to amount to about one-fifth of the total value of Dominica's banana exports.

The financial support deriving from the banana protocol is thus probably far more significant than regular EC development aid to Dominica.

## FISHERIES AGREEMENT

A Fisheries Agreement, initialled in March 1993, between the EC and Dominica, envisages the granting to Dominica by the Community of financial compensation in return for catches made in Dominica's waters by fishermen from the French Departments (ODs) of Martinique and Guadeloupe. The Agreement would also make provision for research and training.

### Community Aid (allocations in million ECU)<sup>2</sup>

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	2.5	3.5	6.0	5.5
ElB loans: risk capital		1.0	3.8	2.5
Structural Adjustment support				2.2
Fisheries Agreement				2.2
Stabex	2.9	3.5	1.2	5.4
Food Aid	0.1	0.5	0.2	0.3
Other (emergency aid, NGOs projects, AIDS control, environment)	4.1	0.6	0.4	0.6
Total	9.6	9.1	11.6	18.7
<b>Grand total:</b>	<b>49</b>			

<sup>2</sup> The above figures do not include regional projects and programmes of direct or indirect benefit to Dominica, or quantified benefits from the Banana Protocol.

# DOMINICAN REPUBLIC

## BACKGROUND

The Dominican Republic occupies the eastern two-thirds of the island of Hispaniola, the second largest in the Caribbean after Cuba. With an area of 48 734 square kilometres, it has a population of about 7.2 million.

Two parallel mountain ranges running roughly from north-west to south-east form the backbone of the country. The western half of the country is dry and in some parts semi-desert; the central and eastern areas are more suitable for agriculture, which accounts for close to 20% of GDP and employs about 36% of the work-force. Coffee, cocoa, sugar, bananas and tobacco are the traditional export crops; in recent years production of other crops such as pineapples, palm oil, citrus fruit, and vegetables has increased.

Mining is the country's oldest industry. Production of gold and silver is still significant; nickel and iron alloys are also exported.

Industrial free zones, which provide hundreds of jobs, are located in 15 cities and there are 17 commercial ports. The Free Zones are involved largely in clothing, shoes, data processing and offshore banking services.

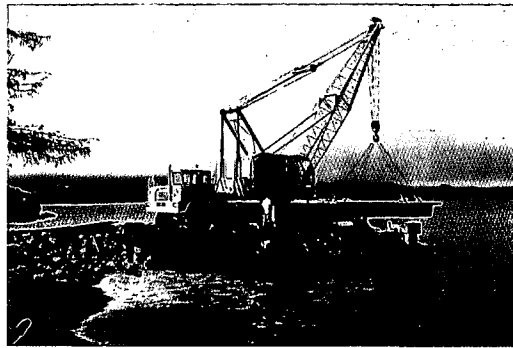
An abundance of beautiful beaches has facilitated the rapid development of tourism; the number of rooms increased from 4 000 in 1981 to over 22 000 ten years later, more than any other Caribbean country. Between 1987 and 1991, tourist arrivals increased by 45%; in 1991 the tourist industry brought in nearly 900 million US dollars.

The country has a relatively high rate of population growth (2.4% per annum), and over-population has put pressure on the

country's social services. Education and health care in particular have suffered and budgetary cutbacks have not improved matters. Infant mortality, malnutrition, and illiteracy are high.

The country's economic situation began to decline in the mid-1980s, reaching crisis proportions in 1990 when real GDP declined by 5.3%. Inflation topped 100% and the external debt reached 20% of GDP (4.4 billion US dollars in 1990).

A New Economic Policy (NEP) was launched in 1990. Economic reforms have helped to reduce the fiscal deficit and bring inflation down to single figures. A market-based exchange rate system was adopted, foreign currency reserves have improved, and arrears to multilateral creditors have been cleared. A Standby Arrangement with the IMF was signed in 1991 to ensure continuation of the process of structural adjustment. The arrangement was renewed for a further period up to March 1994.



*New jetty, Santa Isabel.*  
(Photo: EC Delegation)

## Profile:

Date of Independence: 27.2.1844

Capital: Santo Domingo

Area: 48 734 km<sup>2</sup>

Population: 7.2 million

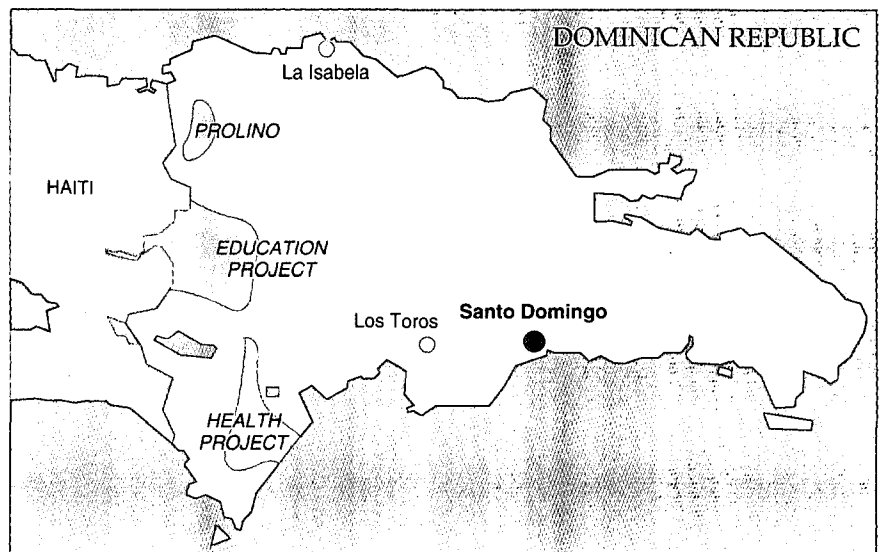
Language: Spanish

Main exports: Coffee, cocoa, sugar, bananas, and tobacco

GNP per capita: US\$ 820 (1990)

Currency: Dominican Peso

1 ECU = 16 Dominican Pesos  
(October 1994)





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## DEVELOPMENT CO-OPERATION

### Pre-Lomé aid

Development co-operation between the EC and the Dominican Republic began modestly in the mid-1970s, acquiring rather more substance in the 1980s. Between 1976 and 1990, regular consignments of EC food aid were distributed, 57 micro-projects were co-financed with NGOs, and some 25 MECU was committed to four larger development projects. Three of these concerned the irrigation of dry zones in the north-west and south-west of the country, with the provision of social facilities for the small farmers working the land. Under the fourth project, radar equipment was supplied for hurricane forecasting for the whole of Hispaniola.

### Lomé aid

The Dominican Republic signed the Lomé Convention on 15th December 1989, and an EC delegation opened its doors in Santo Domingo in January 1991. For the first five years covered by Lomé IV (1991-95), the Dominican Republic was allocated 85 MECU of programmable aid and an initial instalment of 13.5 MECU from the Lomé IV structural adjustment fund. The European Investment Bank (EIB) indicated its willingness to lend up to 15 MECU.

Under the National Indicative Programme, signed in December 1991, the programmable funds (85 MECU) are to be spent as follows: 55% on the conservation and exploitation of natural resources, particularly rural development; 20% on health and education; 15% on tourism, the private sector, cultural and technical assistance; and 10% on support for structural adjustment.

The Community's support for the Dominican Republic structural adjustment programme is the first major project to have been completed since the NIP was signed. An amount of 22 MECU – 8.5 MECU, or 10%, of NIP funds, plus 13.5 MECU from the Lomé IV structural adjustment facility – was used to buy 1.2 million barrels of petroleum products and ship them to the Dominican Republic in late 1992.

This operation, which went very smoothly, saved the government 26 million US dollars in scarce foreign currency reserves and cut the 1992 balance of payments deficit by 20%. In addition, a counterpart fund of no less than 328 million pesos was set up with the proceeds of the sale of the EC-financed oil

products. This additional government revenue will be spent on health, education, water supply, and an EC-financed rural development project in the north-west of the country.

A project, approved in December 1992, and known as the Linea Noroeste project (PROLINO), with a budget of 23.6 MECU, aims to improve living and farming conditions in a poor, semi-arid region by providing water for irrigation and drinking (dams and wells), electricity, better access roads and re-forestation.

The project builds on an earlier EC-co-financed rural development project, from which it inherits infrastructure and vehicles. Project staff salaries and operating costs will be paid by the Dominican Republic government from the oil products counterpart fund.

A second project involving irrigation, in the south-west at Los Toros in Azua province, is at an advanced stage. 25 MECU have been earmarked to build a hydro-electric power station which will provide energy to pump water over a considerable distance for irrigation purposes.

In the health and education sectors, two projects with budgets of 8.8 MECU and 7 MECU respectively, both approved in March 1993, will inject substantial amounts of extra money into basic social services which have suffered from inadequate funding over

the past ten years. The government will contribute a further 1 MECU to each project to cover running costs.

The health programme is designed to improve the general level of public health in a variety of ways – rehabilitating and reequipping rural clinics, providing clear drinking water and latrines in the home, training doctors and nurse, among other things – in Health Regions IV and VI in the south-west of the country, where the mainly rural population numbers 850 000.

The education programme is designed to improve primary education in the three provinces of Salcedo, San Juan and Ellas Pina: 700 classrooms are to be built or repaired, school furniture and teaching materials are to be provided, water and latrines are to be installed in all schools, and 1 000 primary school teachers are to be trained.

Under the NIP, there are also plans to provide support of around 7 MECU for the private sector.

In addition to the projects already mentioned, an interesting cultural operation has been carried out, funding archaeological works at La Isabela, the first town to be founded by Christopher Columbus in the New World; the mining sector will receive 23 MECU from the SYSMIN facility; a second import programme of 9.5 MECU from the structural adjustment facility has been approved; a credit line of 3 MECU for small firms has been opened by the EIB with a local institution; a rural development programme is to be carried out in Puerto Plata with 2 MECU; and a conservation programme will direct finances towards three parks.

The EC is also continuing to send food aid via the NGOs and it is continuing to support a large number of NGO micro-projects. The areas covered include handicrafts, training for health workers and for coffee growers. Under one highly successful micro-project, some 2 000 coffee small growers were taught how to increase the value-added of their crop thanks to the toasting and packaging process.



*Junior school, Salcedo province.*  
(Photo: EC Delegation)

## TRADE ARRANGEMENTS

The Dominican Republic leads the Caribbean in the value and variety of its exports to the EC market: these include coffee, bananas, tobacco, pineapples and minerals. In 1991, nearly 10 300 tonnes of bananas, almost 4 000 tonnes of coffee, 6 530 tonnes of pineapples, 5 700 tonnes of tobacco, and 20 738 tonnes of iron alloy were exported to the Community.

On signing Lomé IV, the Dominican Republic agreed to forego a share of the ACP quota for sugar. For bananas, it is treated as a non-traditional ACP supplier under the recently negotiated arrangements for the single EC banana market.

### Community Aid (allocations in million ECU)

	Pre-Lomé (1976-90)	Lomé IV
Development Aid (EC budget)	26	
National Indicative Programme		85
Structural Adjustment Programme		23
Sysmin		23
Food aid	3.2	2.9
NGO co-financing	3.2	2
AIDS control	0.3	
Total	31	135.9
<b>Grand total:</b>	<b>166.9</b>	

# GRENADA

## BACKGROUND

Grenada – including Carriacou and Petit Martinique – lies towards the southern end of the long Caribbean island chain. Lush green volcanic mountains and magnificent beaches are two of the island's claims to fame.

The capital, St George's, is located around the open waterfront of one of the Caribbean's most attractive harbours.

The island produces bananas and cocoa, and is well known for its spices, cloves, nutmeg, ginger, cinnamon and mace.

After five years of solid economic growth of around 5% per annum, the world recession saw growth fall to 3% in 1991 and -0.4% in 1992 before recovering slightly to 0.7% in 1993. The economy is improving in 1994, in the light of better export prospects for nutmeg and cocoa and growth of tourism, notably from Italy and German-speaking countries, meeting an increase in capacity with the opening of two new hotels. The recession worsened the Government's financial position which has since slightly improved.

In 1991, the Government, assisted by a number of regional institutions such as the Caribbean Development Bank (CDB), the Eastern Caribbean Central Bank (ECCB), the Organisation of Eastern Caribbean States (OECS), and the University of the West Indies (UWI), developed a Structural Adjustment Policy Framework Paper for the period 1992-94. The SAP came into effect in April 1992. Its main objectives are an extensive fiscal reform, a streamlining of public services, and a greater involvement of private enterprise in the economy.

The economic performance in 1993 indicates that some improvements have been realised, such as the reduction of personnel in the public services, and the privatisation of some parastatal enterprises. However, much still needs to be done to achieve a substantial improvement in the balance of payments and the budget.

*National Library, St George's.*

## DEVELOPMENT CO-OPERATION

Grenada's National Indicative Programmes funded under the Lomé Conventions have focussed on the development of transport infrastructure, tourism, water supply and human resource development. The island's social infrastructure and rural areas have also benefitted from EC financial assistance.

## Profile:

Date of Independence: 4.2.1974

Capital: St George's

Area: 345 km<sup>2</sup>

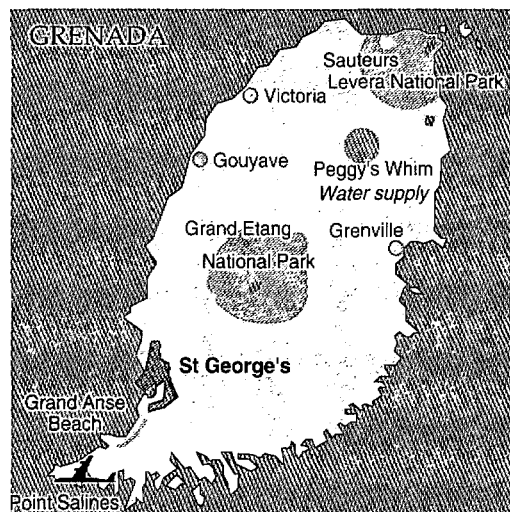
Population: 95 400

Language: English

Main exports: Cocoa, bananas, nutmeg, and mace

GNP per capita: US\$ 2 120 (1990)

Currency: Eastern Caribbean (EC) dollars  
1 ECU = 3.35 (October 1994)



The total funds allocated to Grenada under the first three Conventions were ECU 17.7 million (including NIPs and EIB allocations).

Under the fourth Lomé Convention, the island was allocated 4.5 MECU. A grant of 2 MECU has also been approved for a Structural Adjustment Facility which is designed to create counterpart funds which will be used for public investments in social sectors such as education, training, health and employment.

The island's Eastern Main Road has been upgraded and rehabilitated, and at present a programme for the rehabilitation of 42 kilometres of farm roads is being implemented. This project will improve rural infrastructure for the farmers, the marketing conditions for their products and all-weather access to their fields. In November 1993 it was agreed to add a further 2 MECU to the Lomé IV allocation, raising it to 6.5 MECU to allow rehabilitation of a section of the Eastern Main Road which had fallen into disrepair.

One of the EC-supported ventures is the Grenada Model Farms Project, which involves the development and sub-division of a Government-owned estate into 12 viable small-holdings – with the objective of increasing productivity and developing an efficient small farms sector.

Over a ten-year period beginning in 1981, Grenada benefitted from 10.3 MECU from the STABEX system. The eligible products were nutmeg, mace, bananas, and cocoa.

The funds, which are benefitting the rural sector, have been spent on rehabilitation programmes, campaigns to combat pests and disease, price-support schemes and improved transport infrastructure such as farms and feeder roads.

The promotion of tourism includes technical assistance from the EC for public relations and marketing development in Europe, tourism product enhancement and the creation of a national park near Santeurs.

The Peggy's Whim Water Supply Project is improving the water supply to residents, mainly in the parish of St Patrick's in the north-east of the island and, at the same time, is benefitting tourism-oriented activities.

Human resource development includes a multi-annual training programme, the provision of intermediate and tertiary school facilities in St George's through the construction and equipping of a new building with 6 classrooms and 2 laboratories (from Lomé III regional co-operation funds), as well as the construction of the Mirabeau

Agricultural Training School near Grenville which became operational in 1986.

The EC has also financed the extension of St George's General Hospital and twenty-four micro-projects aimed at upgrading basic community facilities.

Finally, the main jetty at Hillsborough on the sister island of Carriacou was funded by the European Community.

#### Community Aid (allocations in million ECU)

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	2.0	3.5	5.5	4.5
EIB loans: risk capital	1.5	2.4	2.8	1.0
Structural Adjustment support				2.0
Stabex		3.9	2.5	3.8
Food Aid	0.2	2.7	0.5	
Other: emergency aid	0.5		0.1	
NGO projects		0.5	0.3	0.3
AIDS control			0.6	
<b>Total</b>	<b>4.2</b>	<b>13</b>	<b>12.3</b>	<b>11.6</b>
<b>Grand total:</b>	<b>41.1</b>			

# GUYANA

## BACKGROUND

Although situated on the northern edge of the South American continent between Venezuela, Brazil, and Suriname, Guyana is historically and culturally much more a part of the Caribbean region. The capital, Georgetown, hosts the Secretariat of the 13-nation Caribbean Community (CARICOM).

About 90% of the population (50% East Indians, 35% Africans), officially estimated at 740 000, inhabits the coastal zone – even though this represents only 5% of the total surface of the country (215 000 kilometres). The interior, mostly unpopulated and unexploited with the exception of some mining and forestry activities, is mostly covered by tropical forests.

The three traditional pillars of the economy are sugar, bauxite, and rice; gold is rapidly becoming a significant export. While the performance of the rice and sugar industries have improved significantly in recent years the bauxite industry has been beset with technical and managerial problems, and has suffered from the slump in international bauxite prices.

For more than a decade, the economy deteriorated as the balance of payments situation worsened. In addition, the country chalked up a huge external debt of close to two billion US dollars, one of the highest per capita. During this period emigration accelerated, resulting in a shortage of skills, the country's infrastructure became run-down, and for several years there was a chronic shortage of foreign exchange. With the liberalisation of the economy in recent years,

however, the situation has improved and foreign exchange earnings have been established.

A period of economic adjustment began at the end of the 1980s – backed by the donor community and undertaken under the auspices of the International Monetary Fund (IMF). After years of negative growth GDP increased in 1992 by close to 6%, following an increase of 7% in 1991.

In October 1992, democratic elections were held and resulted in a change of Government.

## DEVELOPMENT CO-OPERATION

Under the first three Lomé Conventions 95.2 MECU was allocated to Guyana. Resources were concentrated mainly in the economic, social infrastructure and mining sectors. For the past ten years the EC has provided badly-needed financial support to enable critical infrastructure to continue to function. Help was directed towards transport, hydraulics, and the water supply system – thereby making a significant contribution to the Government's key Infrastructure Rehabilitation Programme (IRP).

The EC financed the rehabilitation of river ferries in the three counties of Berbice, Essequibo, and Demerara – facilitating a return to normalcy in the movement of people and goods, and resulting in increased economic activity.

Lomé funds were also spent on the construction of a fish port in the capital,

## Profile:

Date of Independence: 26.5.1966  
Capital: Georgetown  
Area: 215 000 km<sup>2</sup>  
Population: 740 000  
Language: English  
Main exports: Sugar, bauxite, rice  
GNP per capita: US\$ 370 (1990)  
Currency: Guyana dollar  
1 ECU = 175.5 Guyana dollars  
(October 1994)



Georgetown. The project included the provision of deep freezers and fish handling facilities.

Under Lomé I, II and III, the European Investment Bank (EIB) allocated loans amounting to 3.2 MECU from risk capital resources – and, via onlending through the Guyana Agricultural and Industrial Development Bank, two loans, each of 4 MECU, have been made available to the private sector.

EIB funds have also been used to assist the country's mining industry to maintain its productive capacity. Funds were made available under the SYSMIN facility to supply parts which were urgently needed and for technical assistance to prepare the rehabilitation programme.

Under the ACP-EC Campaign for AIDS Control, a National Blood Transfusion Service was established at the Georgetown Hospital in 1989, and supplies and equipment for this highly successful unit were also provided by the EC. The National Blood Transfusion Service is expected to receive further assistance for two years starting in 1993.

Under Lomé IV, 97% of the National Indicative Programme will be concentrated in the infrastructure sector: main projects are the rehabilitation of the sea-defence system, the Demerara Harbour Bridge, and the New Amsterdam water supply system.

Another area of assistance under the National Indicative Programme will be the development of the private sector in Guyana; a Small Business Credit Initiative has been launched under this heading. Non-programmable funds will be provided in the environmental sector for the establishment of an Environmental Unit at the University of Guyana, and for assistance in the creation of a protected area in the Kanuku mountains.

Under Lomé IV a provision of up to 10 MECU could be made available to Guyana from EIB resources.

6.5 MECU have been allocated for a General Import Programme as the EC's contribution to the Structural Adjustment Programme. This programme will provide both direct

## TRADE ARRANGEMENTS

Guyana, which has the third largest EC sugar quota, benefits significantly from the Sugar Protocol. The country fulfilled its vital EC quota in 1992 for the first time in four years as the industry's fortunes improved

dramatically after a three-year slump. 173 939 long tons of sugar were exported to the EC, earning the country 84.5 MECU.

Rum exports to the EC, enjoying preferential treatment under the Rum Protocol of the various Lomé Conventions, increased in 1992 to 16.6 million litres, equivalent to US\$ 14.17 million, and 90.7% of total exports. Rice exports to the EC were valued at US\$ 4.6 million in 1992, a drastic decrease from 1991 – due partially to the increase in rice exports from Curacao from where the rice, after processing, is shipped to the Community.

*New Amsterdam.*

### Community Aid (allocations in million ECU)

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	12.8	14.6	22.1	26
EIB loans: (Sysmin)		34.5		
risk capital	3.2	4	4	5
Food aid	0.7	3.8	4.3	
Structural adjustment support				6.5
Other: Emergency aid			0.2	
Damages compensation			0.1	
Environment (budget lines B75040/B75041)				1.5
AIDS monitoring and control		0.5		0.1
Total	16.7	57.4	30.7	39.1
<b>Grand total:</b>	<b>143.9</b>			

<sup>1</sup> 5 MECU represents definite EIB loan to the mining sector. EIB assistance could, however, rise to 10 MECU.

# HAITI

## BACKGROUND AND ECONOMY

The Republic of Haiti is a small, densely populated country on the western end of the island of Hispaniola, which covers an area of close to 28 000 square kilometres. With a GNP per capita of only 252 US dollars, Haiti, which has a population of 6.8 million, is the poorest country in the Western Hemisphere.

Haiti has experienced a series of political crises since 1986, when the thirty-year dynasty of the Duvalier family came to an end. The first democratically elected president, Father Jean-Bertrand Aristide, was inaugurated in February 1991. Father Aristide was, however, overthrown by the military in a bloody coup in September of the same year. As a result, sanctions in many forms were imposed by the international community: the Organisation of American States (OAS) imposed a trade embargo; and the United Nations implemented an oil embargo in June 1993, followed by a comprehensive embargo in May 1994 (resolution 917/94). Throughout this period, the European Community and other donors suspended aid to the country. The EC, however, maintained humanitarian aid and food aid flows to the country. In September 1994 a successful military intervention, authorised by the United Nations, enabled Father Aristide to return, in mid-October. The embargoes were lifted at the same time.

The economy, which has stagnated for a decade, is characterised by high levels of unemployment, soaring inflation, and high balance of payments deficits. There has been a breakdown in basic services, including electricity supplies and health conditions, and facilities have deteriorated. The economic decline in the country has been exacerbated by the sharp reduction in foreign aid since 1992.

The paucity and bad use of natural resources has had a cumulative, obstructive effect on

the environment. The high demographic density, the inadequacy of the land tenure system, and the weakness of credit have resulted in low productivity and a decreasing agricultural surplus. The low level of literacy and precarious health conditions among most of the population impair its productive potential. A great many skilled Haitians have migrated. Migration (most of it illegal) to the United States, particularly by boat, and to the Dominican Republic, is significant.

Main exports are manufactured goods (textiles and electronics) which are sold to the United States, and coffee, cocoa and essential oils for the European Market.

## DEVELOPMENT CO-OPERATION

Haiti, one of the newest members of the African, Caribbean and Pacific (ACP) group, signed the Lomé IV Convention on 15 December, 1989. Haiti was, however, the recipient of substantial European aid long before this date. Between 1976 and 1990 the Community spent nearly 100 MECU on assistance to Haiti.

The Community has supported an improvement in water supplies and irrigation, helped to combat soil erosion and boost cattle and pig production, and provided credit and distributed seed to peasants. Sanitary facilities have been upgraded and small schools constructed.

During the first nine months of 1991, the Aristide-led Government and the European Commission prepared a National Indicative Programme (NIP), which identified the agriculture and transport sectors as priorities. Even though the EC suspended aid to Haiti following the coup, a limited form of assistance continued.

Thousands of Haitian farmers have benefitted considerably from a seed distribution

## Profile:

Date of Independence: 1.1.1804

Capital: Port-au-Prince

Area: 27 750 km<sup>2</sup>

Population: 6.8 million

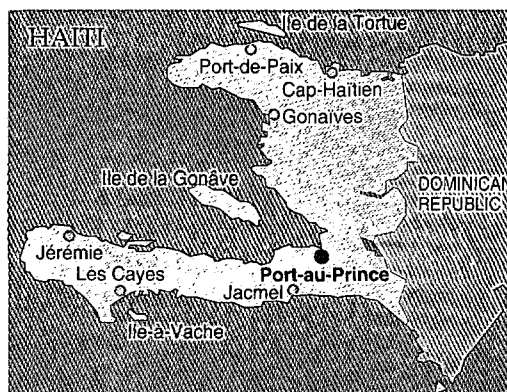
Language: Creole and French

Main exports: Coffee, cocoa

GNP per capita: US\$ 252 (1994)

Currency: Gourde

1 ECU = 23 Gourdes (December 1994)



programme. During the first half of the project 1.7 MECU (2 million US dollars) was spent – and a similar amount has been allocated for the 1992-93 phase of the project, under which maize and millet seeds, and, more recently, beans, are widely distributed. Over 250 000 farmers are benefitting from this programme, which is operated through producers' groups and informal co-operatives.

Under the STABEX programme – which provides compensation for a loss of earnings from exports, the coffee, cocoa, and essential oils sectors have qualified for over 25 MECU in assistance (1990-93).

One of the most significant areas of assistance is the Food Aid programme, channelled through NGOs chiefly to populations at risk (infants, children, rural peoples). Around 300 000 Haitians have received a daily ration of flour, rice, beans, vegetable oil, milk powder, rolled oats, and sugar through this programme since it was started in the early 1980s. For example, in the North-West of the country, where there have been poor harvests resulting in a shortage of basic staples, about 20 000 families (close to 100 000 persons) have received food aid. The aid is channelled through the Dutch umbrella NGO, EURONAIID, and is co-ordinated in Port-au-Prince by the Bureau of Nutrition and Development (BND), an NGO with 20 full-time employees.

The EC is also helping to improve the poor nutritional status of pre-school and elementary school children, lactating women, and the elderly. Schools and hospitals received 16 000 metric tonnes of food aid in 1993.

Badly-needed medical supplies have been made available to community-based hospitals. Medicine has been provided by the EC at a cost of 1.4 million US dollars. More recently, the health sector received 1 MECU in emergency funds. The World Health Organisation (WHO) received 250 000 ECU for essential drugs (for tuberculosis), while a similar amount was allocated to MSF Holland, which is providing emergency medical assistance in the island of Gonave.

In October and November 1994 a total of 15 MECU for humanitarian aid from the Commission's budget was approved. Funds are being directed towards medical needs, provision of food, water and sanitation requirements, logistical support, and technical assistance. The projects will be carried out with a number of specialised European NGOs already established in Haiti.

Now that democracy has returned to Haiti, co-operation can be resumed. The Lomé IV National Indicative Programme (120 MECU) was signed in Brussels on 30 November 1994. Operations such as the EC's current humanitarian aid programme are helping to meet the most immediate needs of the population of this devastated country – food, water, medical supplies, sanitation and transport. The next stage will be to tackle the longer-term needs, including the restoration of agricultural production and the rehabilitation of the road network and existing power stations.

#### Community Aid (allocations in million ECU)

	Pré-Lomé	Lomé IV
National Indicative Programme	—	120
Stabex	11.2	25.5
Food aid	38.6	24
Other aid	42.7	15
Total	92.5	184.5
<b>Grand total</b>	<b>276</b>	



# JAMAICA

## BACKGROUND

Although a small island, Jamaica is the largest of the English-speaking Caribbean islands, with about 11 000 square kilometres. Densely populated with some 2.4 million inhabitants, and strongly urbanised, the island is located approximately 90 miles to the south/south east of Cuba.

The country's topography is marked by rugged, mountainous terrain – with the highest peak in the famous Blue Mountain range. Jamaica is in the earthquake and hurricane belt, and suffered severe damage during Hurricane Gilbert in 1988. More recently, on January 13th 1993, an earthquake measuring 5.4 on the Richter Scale shook the island. Floods are also very frequent.

Jamaica has one of the liveliest Caribbean cultures. The country is internationally acclaimed for its reggae music and its rich and vibrant theatre; music – both reggae and dub – is a substantial source of foreign exchange. Tourism, agriculture, bauxite mining and manufacturing make up the mainstay of the Jamaican economy.

The economy was relatively prosperous in the early 1960s and 1970s but subsequently there was a marked deterioration of the overall economic performance. In addition to domestic problems, external conditions impacted negatively on the economy, in particular the sharp increase in oil prices, and a decline in the number of tourists visiting the island.

The country's debt burden increased considerably in the 1980s to reach US\$ 4.6 billion. GDP grew by 2% in 1992. Since 1991, tourism has displaced bauxite as the major source of foreign earnings. Since that year, tourism earnings have been approaching US\$ 1 billion, representing about a third of the country's overall foreign exchange earnings. Cruise ship arrivals for the same period were up by almost 35% over 1991. Visitor numbers

have risen constantly, despite the negative effects of the Gulf War – 1991 saw a record total of 1.34 million tourist arrivals, and 1992-93 saw further small increases.

Agricultural production has also been increasing for both traditional crops (banana and coffee) and non-traditional products (exports of horticultural and textile products to Europe have increased substantially). Sugar production has, however, been static in recent years due to the fact that the sector has been in a period of restructuring.

Towards the end of the 1970s, the Government embarked on a policy of stabilisation, and implemented adjustment reforms. The economy experienced slow growth, accompanied by rapid expansion of Jamaica's debt obligations during the first half of the

## Profile:

Date of Independence: 6.8.1962

Capital: Kingston

Area: 11 292 km<sup>2</sup>

Population: 2.4 million

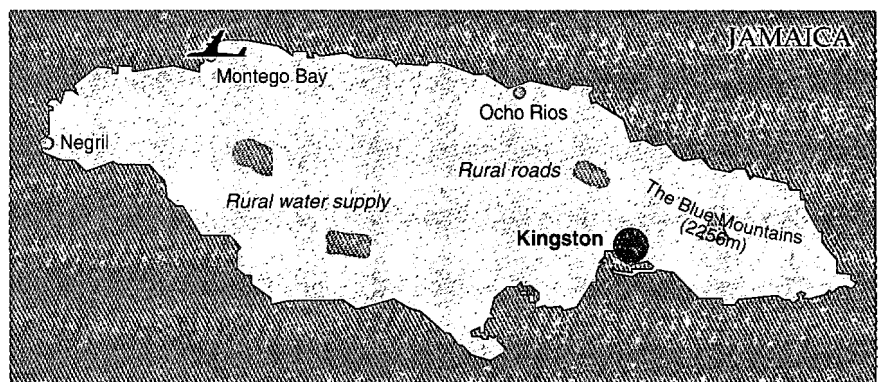
Language: English and Creole

Main exports: Bauxite, sugar, bananas, coffee, rum, fruits, vegetables, flowers and spices

GNP per capita: US\$ 1 510 (1990)

Currency: Jamaican dollar

1 ECU = 41.4 Jamaican dollars



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1980s. The economy improved somewhat during the second half with export earnings increasing.

Although economic performance remains sluggish, there has been a steady improvement of major macro-economic balances. In the early 1990s the balance of payments improved, a fiscal surplus was achieved (1993-94), and net international reserves rose significantly.

The determination of the Government to carry out stabilisation and structural adjustment policies has been apparent over the last three years in decisions to accelerate the liberalisation of the economy, and in particular the elimination of all exchange controls. A general consumption tax of 12.5% has rationalised the tax system and improved collection of tax revenues. The new environment has enhanced competitiveness, provided new prospects for investors and exporters, but resulted in a significant devaluation of the dollar and high rates of inflation. High interest rates have also restricted credit in, and constrained the performance of, the manufacturing sector, with small- and medium-sized enterprises particularly affected.

The country is now implementing a three-year Extended Fund Facility (EFF) programme with the International Monetary Fund (IMF). Stabilisation and structural adjustment policies have resulted in cutbacks of social services – with the education and health sectors being hardest hit.

The number of Jamaicans living below the poverty line is estimated to be around one third of the population.

## **DEVELOPMENT CO-OPERATION**

A total of 86.6 MECU was allocated to Jamaica under the first three Lomé Conventions. Financial assistance has included: help for small coffee producers; for farmers' organisations to increase and improve sheep and goat production; and for veterinary services. The EC has additionally funded the improvement of water supplies in rural areas and road rehabilitation.

The extension of terminal facilities at the Sangster International Airport at Montego Bay, the main tourism gateway to Jamaica, has just been completed with EC funds totalling 7.1 MECU.

A credit scheme of 7 MECU will make funding available to small and micro-

enterprises with the aim of increasing employment and production.

An amount of 40 MECU from SYSMIN resources under Lomé II and from the Lomé IV National Programme is being used for economic diversification – through financing of the construction of sewerage systems at the tourist resorts of Ocho Rios and Negril, with the aim of conserving the environment for tourism and for local communities.

Under the first Financial Protocol of the Lomé IV Convention, Jamaica is receiving a total of 48.5 MECU in the form of grants, with 2.5 MECU allocated for structural adjustment support. 75% of the funds are concentrated on rural development and infrastructural activities.

Rehabilitation and upgrading of over 200 kilometres of rural roads and capacity strengthening in the Ministry of Works and Construction – at a cost of 13.5 MECU – is one of the major projects being financed under the latest Convention. Technical assistance to help the Ministry with implementation and for training has been earmarked.

Assistance is also being provided for institutional strengthening of the Water Commission under a twinning arrangement with a European Water Authority.

An agricultural and environmental protection project in Eastern Jamaica will assist over

2 000 farmers in production and towards better land use, while phase 2 of an island-wide bee keeping project will provide additional income for small farmers with particular attention to young people and women. The project, which has so far benefitted about 600 farmers, comprises technical assistance, research, equipment, training and support to extension services.

Funding outside the focal areas is being allotted to the improvement of public administration and the enhancement of investment and production with the aim of developing exports to Europe.

A key project is the return and reintegration of qualified nationals for development. The EC is providing financial and logistical support to 40 qualified nationals currently residing in the industrialised countries. This support covers the cost of air fares, the movement of personal effects as well as professional equipment, and the topping-up of salaries.

The EC is additionally making 8.4 MECU available for structural adjustment assistance. These funds will be used for balance of payments support, covering imports of EC or ACP goods.

To address the fight against AIDS, the EC has provided the services of an epidemiologist, equipment and materials.

The EC has been in the forefront of donor assistance to boost the industry and tourism sectors. Under successive Conventions the EIB has provided from its own resources a total of 30 MECU in support of small and medium sized enterprises. 5.25 MECU was allocated to the construction of a pier in Montego Bay to accommodate more cruise ships, while 16 MECU have been directed towards the construction of a new Kingston container terminal. Finally, 9 MECU were loaned in 1993 for a power transmission project.

Risk capital to a level of 5 MECU was recently provided for equity participation in small- and medium-size enterprises, both through the Trafalgar Development Bank and the Jamaica Venture Fund.

## TRADE ARRANGEMENTS

Under the Sugar Protocol of the Lomé Convention, Jamaica ships 118 300 metric tonnes of white sugar to the EC. Earnings in 1991 amounted to US\$ 87.4 million.

Bananas are another important source of foreign exchange – and have been traditionally shipped to the United Kingdom under preferential terms. Although badly affected by Hurricane Gilbert in 1988, production has recovered to reach 76 800 tonnes in 1993, earning US\$ 30 million.

One of the largest employers of labour in Jamaica is the local food industry. In addition to traditional products, the country produces a wide range of jams, syrups, soups, jellies and pickles which are indigenous to the island.

The emphasis of the Jamaican Government is clearly directed towards increasing export earnings. JAMPRO, the country's economic development agency, is implementing a 3 MECU 'Target Europe Programme'. This project aims to develop trade and investment links between Jamaica and Europe through the marketing and promotion of Jamaican products in European markets, and by attracting European investment to the island.

Co-operation outside the Conventions has included financial support to fight drug abuse through four different projects – including crop substitution, prevention, and rehabilitation of drug addicts.

Since 1987, Jamaica has received approximately 2 MECU from the EC in the form of grants to co-finance 33 NGO development projects.

### Community Aid (allocations in million ECU)

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	20.0	26.4	40.2	48.5
EIB loans: own resources		4.0	34.3	26.0
risk capital	0.1	5.0	2.3	3.0
Sysmin		25.0		
Stabex		4.3		
Food aid	24.9			
Other (emergency aid, NGO projects)		0.1	0.8	
Total	45.0	64.8	77.6	77.5
<b>Grand total:</b>	<b>246.9</b>			

# St CHRISTOPHER AND NEVIS

## BACKGROUND

St Christopher and Nevis, a two-island federation, has been independent since 19 September 1983. The country lies in the Leeward Islands group, about 360 kilometres south of Puerto Rico and north of the Windward Isles in the Caribbean.

It is said that Christopher Columbus was so pleased with this island that he named it after himself – St Christopher. It is commonly referred to as St Kitts. The island is dominated by the high Mount Liamuiga (the Amerindian name for the island). It boasts green volcanic hills, lush forest, rippling canefields and beaches of both white and black sand.

The federal capital, Basseterre, was built around a natural harbour. Nevis – from the Spanish 'nieves' for clouds – was so named by Columbus after the shrouded cover of this ancient volcanic peak. Fringing coral reefs, however, provide many pink sand beaches. The island's capital is Charlestown.

In addition to being a party to the recently formed Association of Caribbean States (ACS), St Kitts and Nevis is a member of both the Caribbean Community (CARICOM) and the Organisation of Eastern Caribbean States (OECS). The OECS has established a single monetary area and a common currency, the Eastern Caribbean Dollar – as well as a common Central Bank, the Eastern Caribbean Central Bank (ECCB), with headquarters in Basseterre.

St Kitts and Nevis' economy has been dominated by the production of sugar since its introduction in the 17th century. Sugar is still important on St Kitts, but the industry declined systematically in the 1980s; it was abandoned on Nevis in the 1960s. The Government successfully supported diversification into manufacturing and, in particular, tourism. The economy expanded by 6.5% per year over the period 1985-88 – mainly due to increases in tourist arrivals and related construction and service activities. GNP growth slowed down to 3.6% per year during the period 1989-92 on account of Hurricane Hugo and drought.

Overall, sound financial management, a spurt in tourism, and successful efforts to reform the sugar industry have put St Kitts and Nevis' economy on the right track for the medium term.

The country is nevertheless constantly confronted by the challenges and constraints to sustainable development of small island developing states.

## DEVELOPMENT CO-OPERATION

Since 1976, the EC has allocated a total of around 20.2 MECU to projects, programmes and operations in St Kitts and Nevis. This amount includes regional resources likely to be devoted to the Nevis airport project.

Under the Lomé I, II and III Conventions, European Community support concentrated on social infrastructure (60%), including, in particular, the construction of several primary schools and social centres in both St Kitts and Nevis, and the improvement of the water supply system serving some 3 000 people in the northern half of Nevis. Other areas of concentration were the development of small- and medium-sized enterprises through the assistance of the European Investment Bank to the Development Bank of St Kitts and Nevis (25%), roads (15%), and the upgrading of the electricity system.

A sustained effort in the educational field was rewarded in May 1992 with the opening of the Beach-Allen Primary School in Basseterre, the Bronte Welsh Primary School in Trinity, and the Charlestown Primary School. Construction of the Dieppe Bay School – to start in early 1995 together with St Peter's Community Centre – will complete the programme.

Under the Lomé IV National Indicative Programme, a major grant of about 2 MECU was expected to be committed in early 1995 for the development of health sector infrastructure – in particular the rehabilitation of the J.N. France Hospital in St Kitts and the Alexandra Hospital in Nevis.

European Investment Bank assistance to St Kitts and Nevis has mainly taken the form

### ST CHRISTOPHER & NEVIS

#### Profile:

Date of Independence: 19.9.1983

Capital: Basseterre

Area: 269 km<sup>2</sup>

Population: 42 000

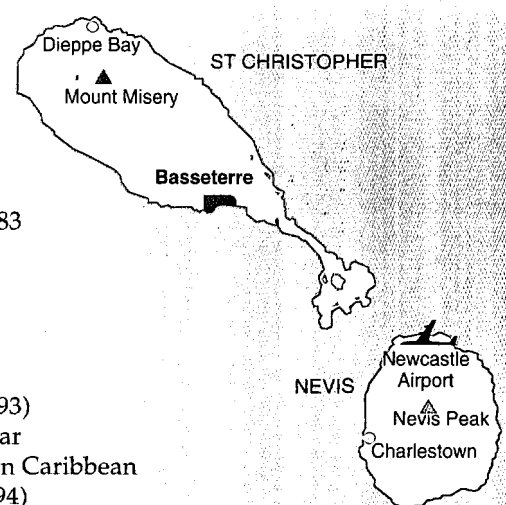
Language: English

Main exports: Sugar

GNP per capita: US\$ 3 990 (1993)

Currency: East Caribbean dollar

1 ECU = 3.35 Eastern Caribbean dollars (October 1994)



of global loans (risk capital) to the St Kitts and Nevis Development Bank – for onlending to small- and medium-sized enterprises. The EIB is also studying possible participation in the co-financing of the Nevis Airport extension project through a Lomé IV risk capital loan.

Whether as an OECS or CARICOM member, St Kitts and Nevis takes full advantage of the regional co-operation instruments of the Lomé Convention. The country also belongs, under the fourth Lomé Convention, to the group of 15 ACP partners who make up the Caribbean Forum. Regional and sub-regional projects (additional to National Indicative Programmes) benefit St Kitts and Nevis within the framework of the EDF regional programmes for the Caribbean – as indicated in the regional pages of the brochure.

Past and current projects of direct benefit to St Kitts and Nevis include such programmes as the Eastern Caribbean States Export Development Agency (ECSEDA), Automated Systems for Customs Duty (ASYCUDA), the OECS Tertiary Education Project, and the Caribbean Agricultural Research and Development Institute (CARDI). The country is also a direct beneficiary of the OECS Regional Tourism and Caribbean Regional Tourism Development Programmes under execution during 1992-95. In the area of transport infrastructure, a major programme to extend Nevis airport is also under final appraisal for regional funding in 1995.

St Christopher and Nevis has also benefitted from specific EC assistance for microprojects in co-operation with NGOs, and emergency aid following storms in 1980 and Hurricane Hugo in 1989. To support AIDS prevention measures, the EC is supplying laboratory equipment and other materials.

## TRADE ARRANGEMENTS

Under the Lomé Convention St Kitts and Nevis benefits from duty and quota-free access for manufactured goods to the EC market.

Overall, the European market accounts for about 15% of St Kitts and Nevis' total imports and, on average, 20% of the country's exports. The Sugar Protocol, with a quota of 16 500 tonnes, provides the largest and most lucrative market for sugar exports from St Kitts and Nevis. This continued support for the country's sugar exports is vital for the ongoing reconstruction efforts of the sugar industry – which accounted for some 18% of

foreign exchange earnings, and employed 70% of agricultural labour in 1990. Over the period 1982-90, preferential prices on the EC market were about 3 times higher than the world price for sugar.

### Community Aid (allocations in million ECU)<sup>1</sup>

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	2.3	2.2	3.5	2.5
EIB loans: risk capital		1.0	1.5	3.0
Regional Indicative Programme <sup>2</sup>			4.0	
Other (NGO projects etc.)	0.1		0.1	
Total	2.4	3.2	9.1	5.5
<b>Grand total:</b>	<b>20.2</b>			

<sup>1</sup> The above figures do not include regional projects and programmes (other than Nevis airport) of direct and indirect benefit to St Kitts and Nevis, nor do they include quantified benefits of the Sugar Protocol.

<sup>2</sup> Nevis Airport Extension (financing decision under consideration).

# St LUCIA

## BACKGROUND

St Lucia, with its majestic mountains, dense rain forests and superb beaches, is one of the most beautiful islands in the Caribbean. The name of its twin volcanic peaks, the 'Pitons', is a reminder of the history of this island, which changed hands many times between the English and the French.

St Lucia is the most densely populated of the four Windward Islands, and has the distinction of having produced two Nobel Prize winners – Sir Arthur Lewis in 1979 (for Economics), and Derek Walcott in 1992 (for Literature).

The island is a member of both the Caribbean Community (CARICOM) and the Organisation of Eastern Caribbean States (OECS). It is also one of the 25 full members of the recently formed Association of Caribbean States (ACS).

Economic performance has remained strong since 1982. During the period 1987-90 St Lucia's economy recorded strong growth in real GNP at over 5% per year on average, and achieved sustained improvements in its fiscal accounts. Steady expansion in banana output combined with the dynamic performance of the tourism sector were the main factors underlying strong economic growth.

The country's development strategy emphasises economic diversification and export-led growth, with a central role for the private sector, and a supportive role for the public sector. Private production of non-traditional agricultural commodities, such as breadfruit, peppers, mangoes and plantains, is encouraged.

Growing dependence on existing transportation, power supply, water and sewage infrastructure plays a major development role.

The recent deterioration in performance of the banana industry, and the serious economic impact of Tropical Storm Debby (September 1994), reveals, however, the vulnerability of St Lucia's economy to external shocks and natural disasters.

St Lucia is currently facing new economic challenges – both as a consequence of necessary reform in the banana industry and the post-Debby reconstruction programme. During this transitional period, EC-St Lucia co-operation will be directed towards restructuring efforts in the banana industry, and on the agricultural diversification policy which must accompany the banana reform.

## DEVELOPMENT CO-OPERATION

St Lucia's efforts to overcome its vulnerability and to counter its sustainable development challenges and the constraints inherent to all small island developing states (SIDS) have been accompanied by consistent support from the European Community at the financial and technical levels.

Since 1976 financial resources allocated by the European Community to projects, programmes and operations in St Lucia total over 38 MECU. Rural development and agricultural diversification programmes have received strong support from the EC. Among the projects financed under the first Lomé Convention were a livestock development project, and the construction of 27.4 kilometres of feeder roads. An agricultural resettlement and diversification project was also implemented, together with a water resources development study.

Lomé II provided the country with financial support for the construction of secondary roads, a drainage and land conservation programme, a tourism promotion study, and the provision of scholarships under the multi-annual training programme.

Lomé III covered Phase II of a project for agricultural resettlement in Roseau Valley, a similar project in the Mabouya Valley, Castries Market re-development, tertiary-level education, and technical assistance for tourism promotion.

### St LUCIA

#### Profile:

Date of Independence: 22.2.1979

Capital: Castries

Area: 616 km<sup>2</sup>

Population: 150 000

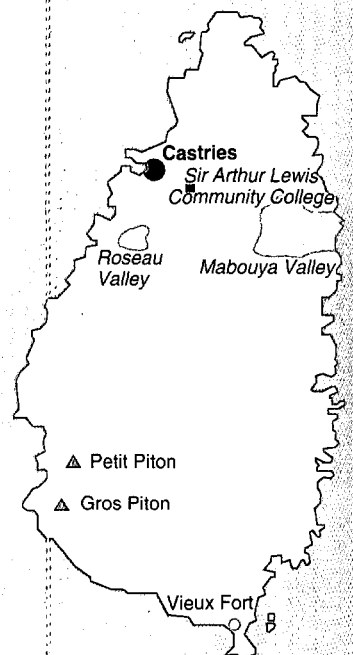
Language: English and Creole

Main exports: Bananas, cardboard boxes, clothing

GNP per capita: US\$ 2 900 (1992)

Currency: Eastern Caribbean dollar

1 ECU = 3.35 Eastern Caribbean dollars (October 1994)



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The Mabouya Valley Development Programme aims to reduce dependence on bananas, to improve land titling legislation, to reverse urban migration, and to conserve land and water resources. It involves the redistribution of 200 hectares, and internal access roads to eight rural settlements comprising over 900 households.

The Castries Central Market Improvement Project is intended to stimulate agricultural trade diversification, and consumption of local produce. To this end, the market, the largest outlet for agricultural produce, is being rehabilitated and extended.

In the area of tertiary-level education, a major project was financed through the combined resources of National and Regional Indicative Programmes for the construction of a new library at the Sir Arthur Lewis Community College. This project is part of the OECS Education Reform Strategy.

The Lomé IV National Indicative Programme focusses primarily on social infrastructure – with special emphasis on the health sector to allow the development of the Victoria Hospital (planned start, 1995 – after completion of a feasibility study).

To further rural development, St Lucia's Government has requested EC assistance to carry out programmes to generate new sources of income and employment, and to improve living conditions in the rural areas of the island. A second phase of the Mabouya Valley Development Programme has subsequently been designed, based on the results of the recently completed first phase and taking into consideration the impact of Tropical Storm Debby. The project is expected to start by the end of 1994.

St Lucia's human resource development sector has also received EC support – through the funding of a number of scholarships in fields important to the country's economic development.

Possible rescheduling of use of uncommitted financial resources within the framework of the 'post-Debby' reconstruction programme, is currently under discussion.

Under the four Lomé Conventions, the EIB has financed a geo-thermal energy study, two loans to the St Lucia Development Bank for support to small- and medium-sized enterprises, and two loans to St Lucia Electricity Services. EIB assistance to St Lucia during the period 1980-1994 totals 12.5 MECU.

St Lucia has been a beneficiary of the STABEX system – especially for its banana exports, on

which the economy is particularly dependent. Over the period 1980-94, St Lucia has been entitled to STABEX transfers totalling 5.8 MECU – recently to counter price changes caused by the creation of the Common Organisation of the banana market in the European Community, increased competition from non-ACP banana producers, and local climatic factors (drought and tropical storms). The transfers are being used to support reforms in the banana sector, as well as more general efforts to diversify the agricultural sector and the economy as a whole.

Emergency assistance, NGO micro-project financing schemes and regional co-operation are among the other instruments which operate in favour of St Lucia. To support AIDS prevention measures, the EC is supplying laboratory equipment and other materials to the country.

As a member of the OECS, CARICOM and the Caribbean Forum, St Lucia gains from the regional co-operation instruments of the Lomé Convention. Island status, disparity in levels of development, cultural diversity, and vulnerability to external shocks and competition, are the main challenges to development which require enhanced solidarity and regional co-operation among the Caribbean partners. Lomé regional funds are committed to overcoming these obstacles.

Past and current projects of direct benefit to the country include: funding for the Eastern Caribbean States Export Development Agency (ECSEDA); support for the Automated Systems for Customs Data (ASYCUDA) initiative; the OECS Tertiary Education Project; and the Caribbean Agricultural Research and Development Institute (CARDI). The country is also a direct beneficiary of the OECS Regional Tourism Development Programme – under execution during the period 1992-95.

## TRADE ARRANGEMENTS

Under the Lomé Convention, St Lucia benefits from duty-free access for manufactured goods to the EC market, as well as preferential arrangements for bananas. The EC accounts for approximately three-fifths of St Lucia's exports and a quarter of St Lucia's imports.

The Banana Protocol, under which the country will enjoy preferential access to the Single European Market up to the year 2002, remains the single most important aspect of co-operation between the EC and St Lucia. Exports of bananas in 1992 were around 133 000 tonnes. Due to the subsidy implicit in the guaranteed banana market in the EC, it has been estimated that financial support deriving from the Banana Protocol is far more significant than regular EC development aid to St Lucia.

## Community Aid (allocations in million ECU)<sup>1</sup>

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	3.2	3.7	6.0	5.0
EIB loans: own resources			6.0	2.0
risk capital	0.2	1.0	2.0	1.5
STABEX		1.2		4.2
Other (NGO projects, emergency aid...)	1.0	0.4	1.2	0.3
Total	4.4	6.3	15.2	13.0
<b>Grand total</b>	<b>38.9</b>			

<sup>1</sup> These figures do not include EDF resources committed for the various regional programmes which have directly benefitted St Lucia in the area of Trade, Human Resources Development, Agriculture, Air and Sea Transport and Tourism, nor do they include the quantified benefits of the Banana Protocol.



# St VINCENT AND THE GRENADINES

## BACKGROUND

St Vincent – a volcanic island with lush forest at its centre – is the largest of the islands which form the Grenadine chain, a string of small islands stretching southwards from St Vincent for about 130 kilometres towards Grenada. These islands – Bequia, Mustique, Canouan, Union, and other smaller islands – form with mainland St Vincent an archipelago of particular interest to navigators. Their tourism potential could provide a major source of economic diversification.

St Vincent and the Grenadines is both a member of the Organisation of the Eastern Caribbean States (OECS), and of the Caribbean Community (CARICOM). It is also one of the 25 members of the Association of Caribbean States (ACS), which was created in July 1994.

To an even greater extent than several other Caribbean and Pacific states which are partners of the European Community, St Vincent and the Grenadines faces the major development constraints inherent to small island developing states (SIDS). This situation is compounded by the geographic dispersal of micro-development poles throughout the archipelago.

The country's mainstay is agriculture, in particular bananas. Its resource balance is largely determined by the level of tourism receipts, banana exports (50% of total exports), and capital inflows. Through infrastructural improvements, the country is trying to develop its tourism potential.

Non-banana agricultural production has increased. St Vincent is the main supplier of arrowroot flour to Canada and the United States. Fish landings and manufacturing production have also expanded.

Since the mid-1980s St Vincent and the Grenadines has pursued sound economic policies. These, along with increased banana exports, have resulted in strong private sector-led growth. In 1990 real GDP increased by over 6% due to an expansion in banana production. The country has continued to manage its public finances well over the past few years.

The recent deterioration in the performance of the banana industry, and the serious economic impact of the 1979 Soufriere eruption, Hurricane Allen (1980), and tropical storms in 1981, 1986-87 and 1993 reveal the degree to which the country's economy is vulnerable to external shocks and natural disasters.

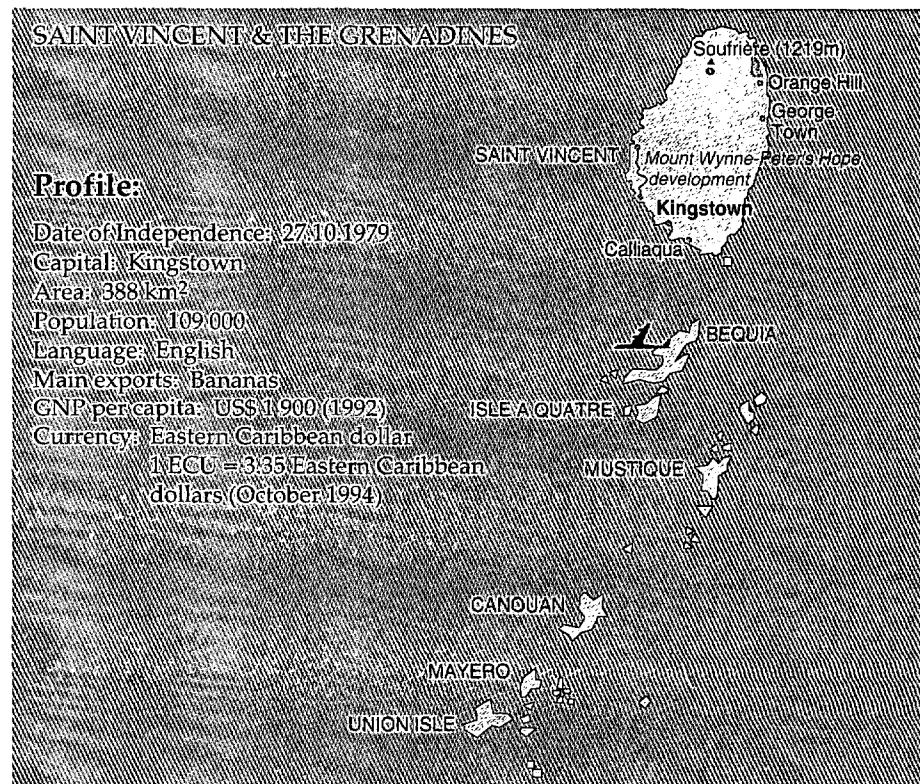
Both as a consequence of the necessary reform in the banana industry and of its vulnerability, St Vincent is facing continued development challenges. During this difficult transitional period, EC-St Vincent co-operation will be focussed on the restructuring efforts in the banana industry – and the diversification policy which must accompany banana reform.

## DEVELOPMENT CO-OPERATION

Since 1976 the European Community has committed some 53.4 MECU to projects, programmes and operations in St Vincent and the Grenadines.

Assistance from the EC has focussed mainly on social infrastructure, agricultural diversification, and transport and communications (airport, roads).

The Bequia airport is the largest single EDF-financed project in the Eastern Caribbean. The airport has provided a new airlink in the sub-region between the Grenadines, within the Eastern Caribbean area, to and from Barbados and Martinique and Guadeloupe. The airport was officially opened in May 1992. The EDF contribution to the project is 18.5 MECU, of which 2 MECU is from the National Indicative Programme, and



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16.5 MECU from the Lomé III regional programme.

The island's road system and health sector, both in the rural and urban areas, benefitted from Lomé I. The health sector projects consisted of the construction of a clinic at Georgetown, and the construction and supply of equipment for a 50-bed paediatric ward at Kingstown hospital in the capital.

Lomé II and III saw assistance again concentrated on the health sector – in the form of continued development of the Kingstown hospital, where a 90-bed ward was constructed. A clinic on Union Island was also financed.

Under a revamped master-plan for the Kingstown hospital, the main operating theatre has been completed, the Emergency Department is already manned 24 hours a day, and some nurses have been sent to Jamaica for training in special recovery-room techniques. On completion of the project, the hospital will have 307 beds, an increase of over 100. New delivery suites and a special baby-care unit are also being built as part of the project.

The focus of the Lomé III programme was on rural development, notably the settlement of Orange Hill Estate in the north-east of the island. Funds were also made available for further improvement of the Kingstown hospital and a small tourism project.

The Orange Hill Development Project involves the settlement of 1 225 hectares. It includes the provision of a farm access road network (32 kilometres), housing sites, public utilities, a central administration providing advice on crop production, the supply of farm inputs, and the provision of agro-processing facilities. Shops and schools will also be constructed on the estate lands.

Four-acre plots of land have been leased to farmers with an option to purchase. A total of 400 plots have been allocated. Cultivation includes coconuts, bananas, nutmegs, citrus, peppers, pigeon peas, cassava, eddoes, and other fruits and vegetables. The agro-processing complex produces bottled water.

A similar agricultural diversification and land resettlement operation, with potential diversification linkage in the area of tourism development, has been prepared under the Lomé IV Indicative Programme on the Mount Wynne/Peter's Hope Development Scheme. Lomé IV funds have also been earmarked for further expansion of the Kingstown Hospital, the provision of additional secondary

education facilities, and tourism development with special emphasis on tourism-environment linkage.

European Investment Bank (EIB) assistance to St Vincent and the Grenadines has largely focussed on the improvement of electricity generation through loans to the national electricity company, VINLEC, (6.9 MECU under Lomé II and III) and the promotion of small- and medium-scale enterprises in the industrial, agro-industrial and tourism sectors. The EIB's partners in the latter areas were DEVCO, the Development Bank, and the Caribbean Financial Services Corporation. In addition, a feasibility study for an OECS-Guyana sand supply scheme was financed in 1993, and further support in the area of port infrastructure was under consideration by the end of 1994.

St Vincent and the Grenadines has benefitted from the STABEX export-receipts guarantee mechanism for its banana sector. In the period 1980-94, the country has been entitled to STABEX transfers totalling 6.3 MECU – largely as a result of price changes due to the creation of the Common Organisation of the banana market in the EU, increased competition from non-ACP banana growers, and local climatic factors (for example, drought in 1993-94). STABEX finances are being used by St Vincent to support a major

reform of the banana industry – implemented alongside efforts to diversify the agricultural sector and the economy as a whole.

As an OECS, CARIFORUM and a CARICOM member, St Vincent and the Grenadines benefits from the regional co-operation instruments of the Lomé Convention. Past and current regional and sub-regional projects which have directly benefitted the country include: support to the Eastern Caribbean States Export Development Agency (ECSEDA), the Automated Systems for Customs Data (ASYCUDA) programme, the OECS Tertiary Education Project, and the Caribbean Agricultural Research and Development Institute (CARDI). The country is also a direct beneficiary of the OECS Regional Tourism and Caribbean Regional Tourism Development Programmes, under execution over the period 1992-95.

Emergency assistance, NGO micro-project cofinancing schemes, and AIDS control funding are also provided by the EC to St Vincent and the Grenadines.

## TRADE ARRANGEMENTS

The EC accounts for approximately one half of the country's exports, and one-fifth of its imports.

Under the Lomé Convention, St Vincent and the Grenadines benefits from duty-free access for manufactured goods to the European Community, as well as preferential arrangements for bananas.

Bananas have accounted for more than 90% of exports to the EC in recent years. Exports of bananas were around 70 000 tonnes. The Banana Protocol will extend preferential access to the Single European Market up to the year 2002. The subsidy implicit in the EC-guaranteed banana market has been estimated to amount to about one-fifth of the total value of St Vincent and the Grenadine's banana exports. The financial support deriving from the Banana Protocol is thus far more significant than regular EC development aid.

### Community Aid (allocations in million ECU)<sup>1</sup>

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	3.1	3.1	7.0	5.0
EIB loans: own resources			3.0	
risk capital		3.2	2.8	1.5
Regional Indicative Programme <sup>2</sup>			16.5	
STABEX		0.9		5.5
Other (NGO projects, emergency aid, AIDS control...)	0.8	0.2	0.8	
Total	3.9	7.4	30.1	12.0
<b>Grand total</b>	<b>53.4</b>			

<sup>1</sup> Figures do not include regional projects and programmes (other than the Bequia Airport project) of direct or indirect benefit to St Vincent and the Grenadines, or quantified benefits from the Banana Protocol.

<sup>2</sup> Bequia Airport.

# SURINAME

## BACKGROUND

The Republic of Suriname is located on the north-eastern section of the South-American continent, covering an area of 163 800 square kilometres and with a population totalling 420 000.

The main exports of the country are bauxite, rice, bananas and shrimp.

Since 1981 the Gross Domestic Product (GDP) has been on a downward trend – due largely to the combined effects of problems in the main foreign-exchange earning bauxite industry (80% of total export earnings) and the suspension of Dutch aid (Dutch aid was suspended in 1982 after the killing of 15 prominent Surinamese citizens).

The economy has been characterised by high budget deficits, rapid inflation, and a scarcity of foreign exchange – resulting in a parallel foreign exchange market. Since June 1994 a new unified market exchange rate has reflected the value of the local currency in a more realistic way.

In September 1991 a civilian administration replaced the military regime, and that same year Dutch aid to the country was resumed. Aid flows, however, from the Netherlands and other donors, which are related to balance of payments support, depend on the implementation of a Structural Adjustment Programme.

## DEVELOPMENT CO-OPERATION

The EC has financed consultant missions for the preparation of the Structural Adjustment Programme. A final consultants' report was approved by both the Government and the EC in May 1992. On this basis Suriname has been developing its own adjustment programme. Priorities of the programme are: the introduction of a market-oriented exchange-rate system; reduction of the budget deficit and the halting of monetary financing; liberalisation of the economy and the stimulation of production; and the establishment of a social programme to protect the poor.

In mid-1993, the EC withdrew from its role of monitoring the implementation of the adjustment programme in response to Suriname's wish to carry out the programme at a slower pace.

From Lomé funds – which amount to 87 MECU under the four Conventions – 1.5 MECU have been used to build a Fisheries Centre in Nickerie near the Guyana border. This has included provision of cold storage and ice-making facilities. The project has strengthened co-operation among small fishermen, who have banded together to form a co-operative. On a Revolving Fund basis, the fishermen have had access to funds to buy nets, outboard engines, and other fishing gear.

A large proportion of Lomé funds have been spent on infrastructure improvement - in particular the upgrading of the road network along the coastline from Albina, close to

## Profile:

Date of Independence: 25. 11.1975

Capital: Paramaribo

Area: 163 800 km<sup>2</sup>

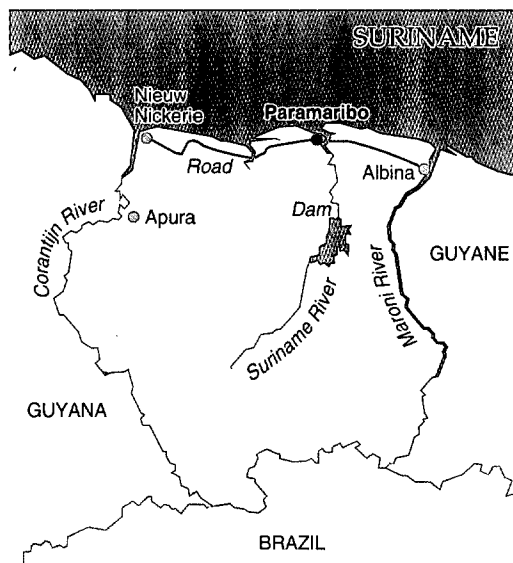
Population: 420 000

Languages: Dutch (official), sranang tongo (Surinamese), Javanese, Hindustani, and several bush negro languages

Main exports: Bauxite, rice, shrimp, bananas

Currency: Suriname Guilder

1 ECU = SRG 240 (October 1994)



Guyane, to Nickerie, near the border with Guyana. The road system had deteriorated because of lack of maintenance and the effects of the prolonged civil war. Road rehabilitation will continue to be a priority under the Lomé IV National Indicative Programme.

The EC has also contributed towards the improvement of education facilities. A school and training college for teachers was constructed at Nickerie in 1991 at a total cost of 2 MECU.

Under a Sectoral Import Programme, the EC has financed inputs for the agricultural sector – including urea fertiliser, pesticides and herbicides. Support has also been provided to the dairy industry towards the improvement of artificial insemination.

In the health sector the EC is expecting to finance a major AIDS campaign, which will concentrate on a campaign targeting the Maroons (bushnegroes) and the Amerindian population in the country's interior.

With the return to safer conditions in the interior, the repatriation and reintegration of several thousand Surinamese refugees, previously in St Laurent, Guyane, has been undertaken. The EC was a main donor (500 000 ECU) in the resettlement programme, which was conducted by the United Nations High Commission for Refugees (UNHCR).

## TRADE ARRANGEMENTS

In 1992, 452 423 tonnes of bauxite and 26 870 tonnes of aluminium were exported to the EC, while rice exports totalled 58 000 tonnes. Just over 28 000 tonnes of bananas were shipped to the United Kingdom, while 32 395 tonnes of shrimp was sold in EC markets and in Japan.

Rice and bananas benefit from the preferential trade arrangements embodied in the Lomé Conventions.

### Community Aid (allocations in million ECU)

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	16.9	21.5	25.1	27.0
EIB loans: risk capital	4.2	3.0		
NGO Projects	1.0			0.5
Total	22.1	24.5	25.1	27.5
<b>Grand total</b>	<b>40.2</b>			

# TRINIDAD AND TOBAGO

## BACKGROUND

The twin-island Republic of Trinidad and Tobago lies off the coast of Venezuela, and covers an area of 5 128 square kilometres. The most southerly of the Caribbean islands, the country has a population of 1.3 million, and geographical features of dense forests and wide plains.

Trinidad and Tobago, a member of the Caribbean Community (CARICOM), is famous for its carnival, steel bands and calypso music.

The mainstay of the economy is the petroleum industry. Trinidad is one of the oldest oil producers in the world and has extensive natural gas, which allows for downstream industries such as steel, urea, ammonia and methanol.

Light manufacturing, agriculture, and to a lesser extent, tourism, all contribute to the economy. Sugar is the main agricultural export product, with an export volume of 50 000 to 53 000 tonnes per year, mainly to the European Community. Rum, as a by-product of the sugar cane product, ranks second. Citrus, coffee and cocoa exports are small. Tourism development activities have concentrated on improving infrastructure and the tourism plant as well as managerial skills.

Trinidad and Tobago experienced rapid economic growth in the 1970s, fuelled by the hike in oil prices and an increase in domestic crude oil production. The economy contracted sharply during the period 1982-89 after the decline in oil prices in the early 1980s and reduced domestic production.

After seven consecutive years of economic decline, the country recorded an increase in GDP of 1.8% in 1990, followed by 3% in 1991, no growth in 1992, and a 1% fall in 1993. The servicing of the external debt, amounting to

US\$ 2.3 billion, is considered to be a major challenge in the next few years.

Structural adjustment programmes were put in place from 1989. Reform measures included the devaluation of the Trinidadian dollar in August 1988 from 3.60 Trinidadian dollars/1 US dollar to 4.25 Trinidadian dollars/1 US dollar – and a reduction in the fiscal deficit through tighter control of public expenditure and improved revenue collection is intended. The fiscal deficit of Central Government has increased since 1990.

In April 1993, the Government introduced floating exchange-rates. This led to a devaluation of about 30%, with one US dollar currently standing at about 5.95 Trinidadian dollars.

A Medium Term Policy Framework has been developed, and several policy initiatives are to be introduced – among other things, to diversify the productive base and to increase international competitiveness and exports, to improve the fiscal and balance of payments accounts, and to restore adequate levels of foreign currency.

In 1993 an agreement to provide a 3 MECU grant under the Lomé IV Structural Adjustment Facility was signed, which will be used in full by the end of 1994.

## Profile:

Date of Independence: 31.8.1962

Capital: Port of Spain

Area: 5 128 km<sup>2</sup>

Population: 1.3 million

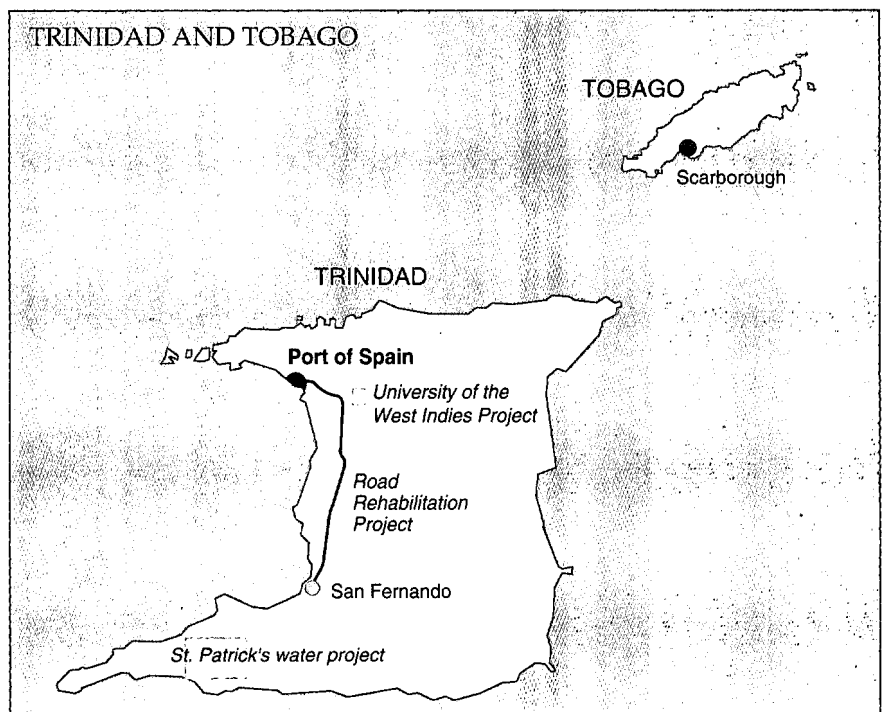
Language: English

Main exports: Petroleum products, sugar, rum

GNP per capita: US\$ 3 470 (1990)

Currency: Trinidadian dollar

1 ECU = 7.3 Trinidadian dollars  
(October 1994)



## DEVELOPMENT CO-OPERATION

Under the Lomé Convention projects are financed in areas such as human resource development, rural development, water supply, tourism and promotion of exports and trade.

Co-operation with Trinidad and Tobago moved very slowly during the oil years. 1993, however, saw a dramatic acceleration of cooperation, with the re-programming of Lomé III and IV to provide 16 MECU for road rehabilitation in Trinidad, 9.7 MECU (including 3 MECU from the Structural Adjustment Facility mentioned above) for structural adjustment, 5 MECU for support for the establishment of small farms by the young unemployed, and 2 MECU each for rural electrification and support to micro-enterprises.

Allocations in the area of human resource development projects have concentrated on training for health sector personnel. Nurses, doctors and public health officials have been the beneficiaries of training programmes – and funding has also been provided for equipment.

The St Patrick Water Supply Project is improving the water supply system within the county of St Patrick (south-west Trinidad) to meet the demand for domestic and other use in the year 2000.

A series of small projects mainly in the fields of water supply, electrification, construction and upgrading of schools and community centres, aimed at improving the living conditions of small and often isolated rural communities, have been financed under the micro-projects programme.

The EC-funded Improvement of Goat-Breeding Facilities Project is geared towards increasing and improving the supply of goat meat in Trinidad.

The Government is seeking to expand and improve its tourism industry, and the EC has already provided technical assistance to the recently-established Tourism Development Authority. A project involving visitor-site enhancement, training and tourism education, and a marketing programme, is also getting EC support.

In addition, grant funds have been made available to facilitate Trinidad and Tobago's participation in international tourism fairs.

The EC is also playing a role in helping the country to increase its exports. Assistance has been provided to the Export Development

## Community Aid (allocations in million ECU)

	Lomé I	Lomé II	Lomé III	Lomé IV
National Indicative Programme	10.3	10.5	15.0	17.0
Structural adjustment				3.0
EIB loans: own resources	10.0	32.0	12.0	38.0
risk capital			3.0	
EDF interest rate subsidies	1.5	5.2	2.3	10.1
AIDS programme		0.5		
Total	21.8	48.2	32.3	68.1
<b>Grand total</b>	<b>170.4</b>			

Corporation (EDC) for institutional strengthening and the development of export markets.

Outside the Lomé Conventions, the Queen's Park Counselling Centre has been established with assistance from the EC's AIDS Task Force Budget. Support has also been given for a national AIDS telephone hotline.

## TRADE ARRANGEMENTS

The European Community quota (43 751 metric tonnes of white sugar) represents the largest and most lucrative market for sugar exports from Trinidad and Tobago. Since 1975, the Sugar Protocol, compared with world prices, has provided Trinidad and Tobago with additional foreign exchange earnings of about 165.5 MECU or an average of about 9.9 MECU per year – or over 75% above revenues based on world market prices. In the marketing year 1992-93 the country exported 46 055 metric tonnes of sugar to the EC, valued at 20.2 MECU or over 100 million Trinidadian dollars. Total Trinidadian exports to the EC in 1992 amounted to 154.1 million Trinidadian dollars.

*University of the West Indies,  
St Augustine campus, Trinidad.*

# CO-OPERATION WITH OVERSEAS COUNTRIES AND TERRITORIES (OCT)

## ANGUILLA

### BACKGROUND

Anguilla, located on the north-eastern shoulder of the Caribbean island chain, is a coral island which is flat, dry and breezy. The island is one of the five British dependencies in the region.

Anguilla is a relatively prosperous country, with annual growth rates of 10% and over since 1985. Tourism and banking services, the main pillars of the economy, are well developed – and the unemployment rate remains reasonably low by Caribbean standards.

Up-market tourism accounts for 30% of GDP, with construction and tourism-related infrastructure contributing just under 20%. The agricultural sector, including fisheries, accounts for about 7%. Vegetable production has increased greatly over the past few years owing to the demands of the tourism industry.

There is a shortage of skills, particularly in the tourism sector, and growing concern that activities in the three main sectors of the economy could have a negative impact on the environment. Steps are being taken to address both these issues.

In the medium to long term, the further development of the services sector, including tourism and off-shore financial services, will provide the major stimulus to growth. There is also scope for further development within the agricultural sector, especially in fisheries.

### DEVELOPMENT CO-OPERATION

Since 1976 EC assistance to Anguilla under the fourth to seventh EDFs totals 7.8 MECU.

Major projects funded under EDF IV, V and VI have concentrated on the upgrading of infrastructure – including the construction of Road Bay Jetty, a new electricity power station, and a road improvement project.

The tourism sector has benefitted from a loan of 1.5 MECU from the European Investment Bank (EIB). The funds were used for the construction of a locally-owned 25-room hotel, the 'Anguilla Great House'.

Anguilla has also received assistance, under EDF regional programmes, to participate in European tourism fairs.

From the 7th EDF Indicative Programme Anguilla has received a grant allocation of some 3 MECU. Of this amount, 80% has been committed for the development of the water supply and distribution system. This programme, already under way, is expected to be completed by 1995.

The remaining balance of the Indicative Programme is likely to support training and technical assistance for the establishment of a road maintenance monitoring system.

In addition to its Indicative Programme allocations, the island has benefitted – through the regional resources of the EDF – from the activities of several regional organisations, including the University of the West Indies (UWI), the Caribbean Tourism Organisation (CTO), the Caribbean

### Profile:

Capital: The Valley

Area: 91 km<sup>2</sup>

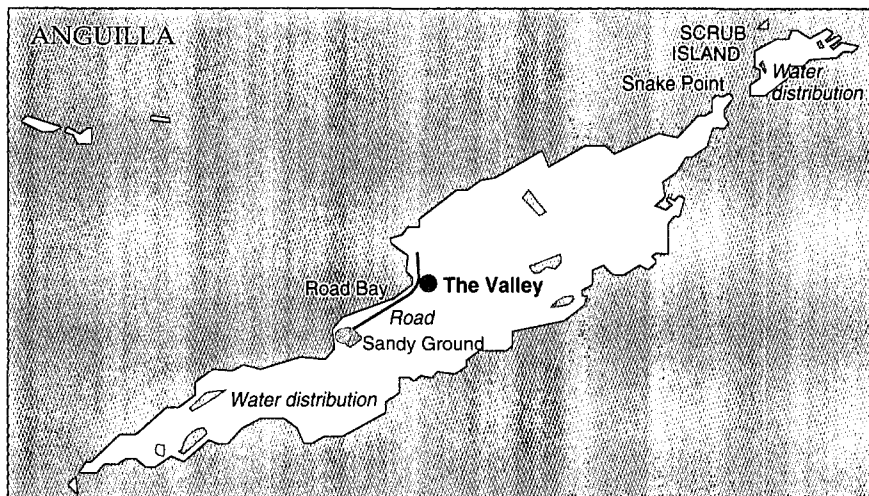
Population: 9 000

Language: English

GNP per capita: US\$ 6 834 (1992)

Currency: Eastern Caribbean dollar

1 ECU = 3.35 Eastern Caribbean dollars (October 1994)





Agricultural Research and Development Institute (CARDI), and the Caribbean Food Corporation (CFC).

An amount of 2.1 MECU has been allocated from the resources of the 7th EDF to the British Dependency / Caribbean OCT for regional co-operation.

A number of ongoing regional projects financed from the 6th EDF from ACP and OCT resources are of direct interest to Anguilla: the Eastern Caribbean States Export Development Agency (ECSEDA) is providing technical assistance and training for export manufacturers in the OECS countries and in Anguilla; under the ASYCUDA project, designed to improve customs collection, computer equipment was installed at the customs offices in Anguilla; the Caribbean Regional Tourism Development Programme aims to assist ACP and OCT to achieve sustainable growth in their tourism operations. The programme, to which 9 MECU has been allocated, falls into two main areas of activity – market development in Europe and product development in the Caribbean. Anguilla has particularly benefitted from technical assistance measures for the development of a marketing plan.

#### Community Aid (allocations in million ECU)

	EDF 4	EDF 5	EDF 6	EDF 7
Territorial Indicative Programme	0.3	1.2	1.8	3.0
EIB loans: risk capital			1.5	
Total	0.3	1.2	3.3	3.0
<b>Grand total</b>	<b>7.8</b>			

#### TRADE ARRANGEMENTS

Products originating in Anguilla have completely free access to the European Community.

One-off and temporary exceptions may be made in the rules of origin – allowing the OCT a period of free access to the EC market for goods which have undergone a degree of processing not normally deemed sufficient to qualify for the status of originating product.

# BRITISH VIRGIN ISLANDS

## BACKGROUND

The British Virgin Islands (BVI), a British Dependency, are a group of over 50 small islands and cays at the north-west of the Caribbean chain. All but one of the islands are hilly and volcanic. The BVI offer some of the best sailing waters in the region.

The economy is heavily dependent on upmarket tourism (25% of GDP), but also produces a small amount of food for domestic consumption (4%), as well as some small-scale manufacturing (4%).

Like Montserrat, the country was ravaged by Hurricane Hugo in 1989, but post-disaster growth was robust (8.5% in 1990) due largely to the expansion in construction activity following the hurricane.

The financial services sector continued to grow tremendously, as shown by the continued registration of international business companies. The BVI's economic performance over the medium term will depend essentially on the results shown in the tourism and off-shore financial services sectors. A growth rate of 3-5% per annum has been projected for the period 1993-96.

## DEVELOPMENT CO-OPERATION

Since 1976 EC assistance to the BVI has totalled 16.6 MECU.

Major projects under EDF IV, V and VI have concentrated on upgrading water infrastructure; with the EC's help the BVI's water supply has been considerably improved.

- Major infrastructural projects have included the Fort Hill and East End Water Supply Projects, and the provision of piped water supply to Sea Cows Bay on the capital, Tortola, and to the Valley and North Sound on Virgin Gorda. Assistance to improve water supply capability was continued under the sixth EDF.

Under the seventh EDF Indicative Programme, signed in February 1992, the BVI received an allocation of 2.5 MECU. In accordance with the Government's priorities, the programme concentrates on human resource development – and considers, in particular, support for the construction of a library and learning-resource centre for the new community college.

The European Investment Bank has also made a significant contribution to the BVI's development. Under EDF VI 8.4 MECU was allocated: 4.4 MECU for a power extension, 1 MECU to the Development Bank, and 3 MECU for port development.

The island has additionally benefitted from the regional resources of the EDF. 2.1 MECU have been allocated from the seventh EDF to the British Dependency Caribbean OCT – and it is envisaged that regional funding will be

## Profile:

Capital: Road Town

Area: 151 km<sup>2</sup>

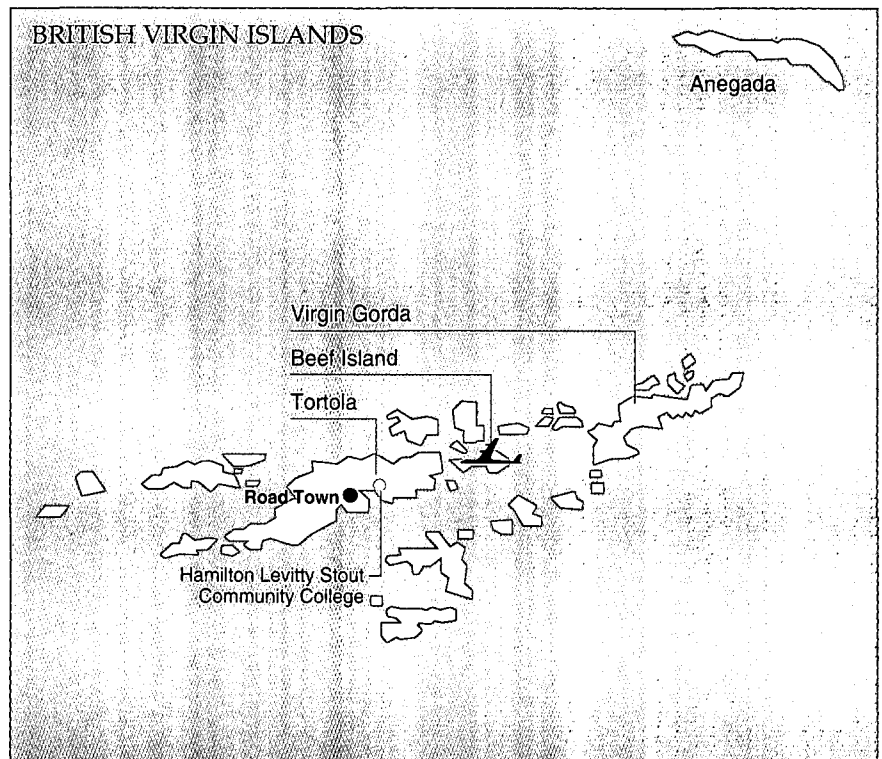
Population: 16 750

Language: English

GNP per capita: US\$ 10 880 (1992)

Currency: United States dollar

1 ECU = 1.24 United States dollars  
(October 1994)



allocated to the upgrading and extension of the Beef Island Air Terminal.

A number of ongoing regional projects financed from the sixth EDF (some 1.5 MECU was allocated to the British/Caribbean OCT), from ACP and from OCT resources, are of direct interest to the BVI: the **Eastern Caribbean States Export Development Agency (ECSEDA)** is providing technical assistance and training for export manufacturers in the OECS countries and in the BVI; under the **ASYCUDA** project, designed to improve customs collections, computer equipment was installed at the customs offices in the BVI; in addition to the proposed construction of the library/learning resource centre at the H Lavety Stoutt Community College, the BVI's participation in the **OECS Tertiary Education Project** provides the country with teacher training through a programme co-ordinated by the office of University Services of the UWI; the three-year **OECS Tourism Development Programme** aims to develop tourism in the OECS countries and to support market development and promotion in Europe; while the **Caribbean Regional Tourism Development Programme** aims to assist ACPs and OCT to achieve sustainable growth in their tourism sectors. The programme, to which 9 MECU has been allocated, falls into two main areas of activity – market development in Europe and product development in the Caribbean.

#### Community Aid (allocations in million ECU)

	EDF 4	EDF 5	EDF 6	EDF 7
Territorial Indicative Programme	0.5	1.0	1.5	2.5
EIB loans: own resources			7.4	
risk capital			1.0	2.0
Interest rate subsidies		0.7		
Total	0.5	1.7	9.9	4.5
<b>Grand total</b>	<b>16.6</b>			

#### TRADE ARRANGEMENTS

Products originating in the BVI have completely free access to the European Community.

One-off and temporary exceptions may be made in the 'rules of origin' – allowing the OCT a period of free access for goods which have undergone a degree of processing in the OCT not normally sufficient to qualify for the status of originating product.

# CAYMAN ISLANDS

## BACKGROUND

The Cayman Islands, which comprise three low-lying islands 180 miles north-west of Jamaica, are one of the five British Dependencies in the region, and are known as a tourist resort, an international financial centre and a tax haven.

Grand Cayman is the biggest of the three islands, and contains most of the country's 26 000-strong population. The islands, which offer some of the world's best diving sites, have extensive offshore reefs and over 300 wrecks scattered around the coastal waters.

The economy depends on offshore banking and financial services and tourism. Tourism, however, has not been expanding as a result of limited air access. Economic activity is estimated to have grown by about 4% in 1992, considerably down from the 11.2% recorded in 1990. This reflected a sluggish stop-over tourist performance, a reduction in banking activity, and a decline in capital investment.

## DEVELOPMENT CO-OPERATION

The education sector has been one of the main beneficiaries of EC assistance to the Cayman Islands over the years. Under the sixth EDF, 1.5 MECU was used to co-finance with the Government the construction of the new Cayman Islands Community College. The College is a post-secondary and adult education institution, which has enrolment of close to 600 students. A wide range of programmes are offered for full-time and part-time study, and are organised through three departments – Business Studies, Hospitality Studies, and Technology. This project has enabled Caymanians to participate more actively in the country's development without resorting to expensive overseas training.

The country continues to take part in the activities of the University of the West Indies, and is also benefitting from the Caribbean Regional Hotel Training Project – started in 1990. The EC has also financed, at a cost of 1 MECU, the construction of the airport terminal and taxiway of Cayman Brac Airport, which was completed in 1989.

The EIB has approved three loans totalling 8 MECU for the upgrading of the electricity supply (6 MECU) and for a water supply scheme (2 MECU) in Grand Cayman.

The country, because of its high per capita income, is no longer eligible for grant funds from the EDF. It is still eligible, however, to benefit from other areas of assistance from the EC.

### Community Aid (allocations in million ECU)

	EDF 4	EDF 5	EDF 6	EDF 7
Territorial Indicative Programme	0.5	0.5	1.5	0
EIB loans: own resources		3.0	3.0	2.0
risk capital	1.0		1.5	
Interest rate subsidies		0.8	0.6	0.5
Total	1.5	4.3	6.6	2.5
<b>Grand total</b>	<b>14.9</b>			

### Profile:

Capital: George Town

Area: 259 km<sup>2</sup>

Population: 26 000

Language: English

GNP per capita: US\$ 18 520

Currency: Cayman Islands dollar

1 ECU = 1.02 Cayman Islands dollars (October 1994)

### CAYMAN ISLANDS



# MONTSERRAT

## BACKGROUND

Montserrat, a British Dependency, is a small volcanic island, marked by its steep jagged mountains laced with streams and waterfalls. The island, famous for its sea-island cotton, is thickly forested, lush, green and fertile.

Montserrat has made a good start in its recovery from the devastation caused by Hurricane Hugo in 1989, including the construction of the port's jetty.

Real GDP is estimated to have risen by 5% in 1993, following a decline of almost 24% in 1991.

Tourism and construction continue to dominate the economy. Construction activity has been particularly buoyant over the past few years, stimulated to a large extent by reconstruction and rehabilitation activities following the hurricane. The construction boom has, however, further constrained the already tight labour market, necessitating the importation of labour.

The agriculture sector has continued to perform well and production of vegetables has expanded to meet 25% of local demand. On the other hand, manufacturing contracted during 1991 when the operations of the Montserrat Sea Island Cotton Company scaled down because of a fall-off in demand.

Sustained economic development in Montserrat will depend heavily upon continued growth in the tourism sector which, in turn, will reflect the extent to which the sector's external competitiveness can be

maintained. Due to the fragility of the island's ecosystem, however, such expansion must be carefully monitored.

## DEVELOPMENT CO-OPERATION

Since 1976 EC assistance to Montserrat under the fourth to seventh EDFs has totalled 11.4 MECU.

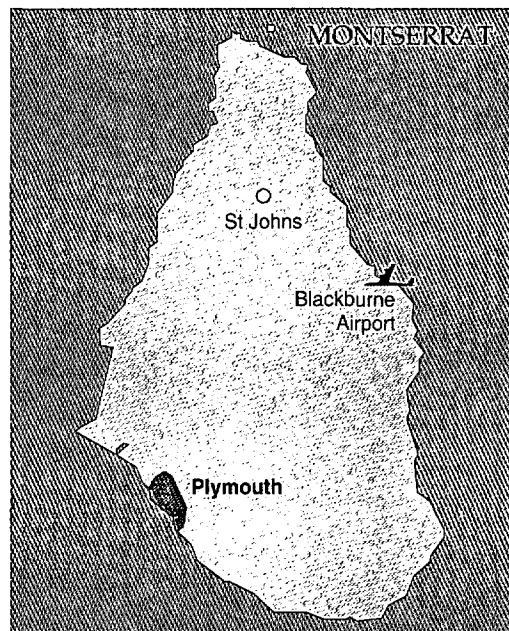
Under EDFs IV and V funding was made available for water improvement and road projects, including the St John – Trants Ring Road, which provides an alternative, shorter route between the airport and destinations in the north of the island.

Following Hurricane Hugo in September 1989, funds earmarked under the sixth EDF for new projects in the transport sector were diverted to the reconstruction of Plymouth Port Jetty – completed in June 1993.

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## Profile:

Capital: Plymouth  
Area: 101 km<sup>2</sup>  
Population: 11 395  
Language: English  
GNP per capita: US\$ 5 976 (1992)  
Currency: Eastern Caribbean dollar  
1 ECU = 3.35 Eastern Caribbean dollars (October 1994)



Under EDF VII Indicative Programme, Montserrat has received a grant allocation of over 4 MECU. 90% of this allocation will be concentrated on economic infrastructure, with high priority given to the reconstruction and extension of the Blackburne airport in combination with regional resources and other donor support. The remainder of the funds have been earmarked for training and a reserve fund.

Montserrat has also benefitted over the years from the Regional Trade Fair Programme, the NGO Programme, and from Emergency Aid. European Investment Bank financing includes a 2 MECU loan for the port project and support to the extension of the electricity production and distribution system on the island.

In addition to its Indicative Programme allocations, the island has benefitted through the regional resources of the EDF. Within this framework, it is envisaged to allocate resources to the upgrading and extension of Blackburne Airport.

2.1 MECU has been allocated from seventh EDF resources to the British Dependency OCT in the Caribbean for regional co-operation.

A number of ongoing regional projects funded from the sixth EDF are of particular interest to Montserrat: the **Eastern Caribbean States Export Development Agency (ECSEDA)** is providing technical assistance and training for export manufacturers in the OECS countries and in Montserrat; under the **ASYCUDA** project, designed to improve customs collections, computer equipment was installed at the customs offices in Montserrat; under the **OECS Tertiary Education Project**, Montserrat will benefit from the construction of a Learning Resource Centre and classrooms for its Community College at a cost of 500 000 ECU. Completion is scheduled for May 1995. Montserrat also receives assistance through the project in the form of teacher training – co-ordinated by the office of university services at the UWI; the three-year **OECS Tourism Development Programme** aims to develop tourism facilities in the OECS region and to support market development and promotion in Europe; the **Caribbean Regional Tourism Development Programme** aims to assist ACP and OCT to achieve sustainable growth in their tourism sectors. The programme, to which 9 MECU has been allocated, falls into two main areas of activity – market development in Europe and product development in the Caribbean.

#### Community Aid (allocations in million ECU)

	EDF 4	EDF 5	EDF 6	EDF 7
Territorial Indicative Programme	0.8	0.9	2.0	4.0
EIB loans: own resources		0.9		
risk capital		0.3	2.0	
Interest rate subsidies	0.3	0.1	0.1	
Total	1.1	2.2	4.1	4.0
<b>Grand total</b>	<b>11.4</b>			

#### TRADE ARRANGEMENTS

Products originating in Montserrat have completely free access to the European Community market.

One-off and temporary exceptions may be made to the rules of origin – allowing OCT a period of free access for goods which have undergone processing not normally sufficient to qualify for the status of originating products. In October 1994 Montserrat was granted such a derogation for the export of electronic components to the European Community for the period 1994-95.

# THE NETHERLANDS ANTILLES and ARUBA

## BACKGROUND

The Dutch OCT in the Caribbean region consist of two autonomous countries which are part of the Netherlands Kingdom – the Netherlands Antilles and Aruba.

Defence, justice and foreign affairs are the only Kingdom matters for the two countries.

Aruba was earlier part of the Netherlands Antilles, but since January 1st, 1986 it has so-called 'separate status'.

Both autonomous countries have their own flag, currency, national anthem, coat of arms and Government headed by a Prime Minister.

## THE NETHERLANDS ANTILLES

### BACKGROUND

The Netherlands Antilles consists of five main islands and two very small, uninhabited islands. Each of the five islands – Curaçao, Bonaire, St Maarten, St Eustatius and Saba – have their own Island Government, and the Netherlands Antilles as a whole has a Central Government.

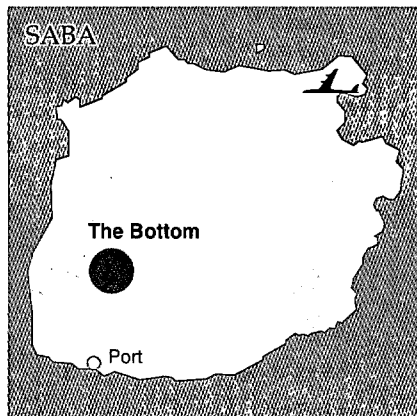
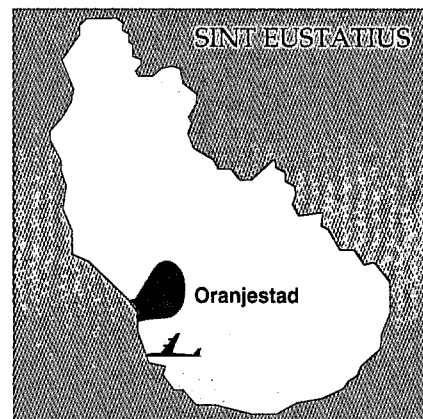
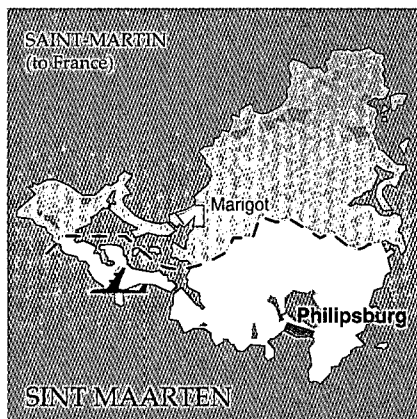
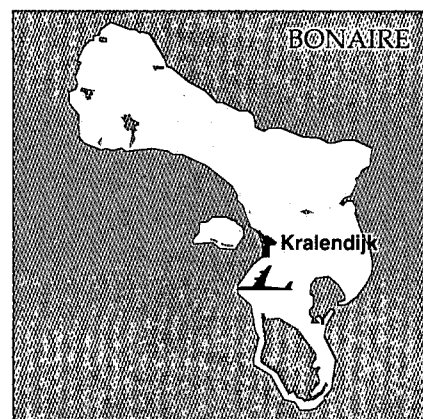
As the islands have few natural resources, and the topography and rainfall do not permit agriculture of any importance, the possibilities for development are limited.

All the islands depend heavily on tourism, and Curaçao, Bonaire and St Eustatius have oil refineries or oil terminals. The services sector and offshore banking play an important role in the economy of Curaçao, which has a good communications system.

By the mid-1980s the economy was in deep recession, as three of the four or five most important sectors of the economy were badly hit almost simultaneously. Tourism suffered from a massive devaluation of the Venezuelan currency in 1983; the Shell refinery, one of the world's biggest, was closed in 1985; and the financial off-shore sector went into decline in 1988 when the tax treaty with the U.S. expired. The freeport and related trade proved rather more resilient, but this could not prevent unemployment reaching 30% on Curaçao, the country's principal island.

### Profile:

	Area (km <sup>2</sup> )	Population
Curaçao	444	144 097
Bonaire	280	10 187
St Maarten	34	32 221
St Eustatius	21	1 839
Saba	13	1 130
Aruba	193	81 000



Since then, the Government has managed to turn the economy around. The oil refinery has been leased to the Venezuelan state-owned oil company; tourism has been robust, and the off-shore sector is picking up. On Curaçao unemployment has dropped well below 15%, while participation rates have risen; on St Maarten a shortage of labour has led to immigration.

Economic activity has expanded significantly in the Netherlands Antilles in recent years, with tourism, international finance and business services, refining and ship repair contributing to the growth of the economy.

#### Community Aid (allocations in million ECU)

	Aid 1958-1976	EDF 4	EDF 5	EDF 6		EDF 7	
				N.A.	Aruba	N.A.	Aruba
National Indicative Programme	49.6	20.6	25.0	19.6	6.6	23.8	7.9
EIB loans: own resources			7.1	5.7	1.3	7.0	2.0
risk capital			3.2	0.4	2.9		0.5
Total	49.6	20.6	35.3	25.7	10.8	30.8	10.4
<b>Grand total</b>	<b>183.2</b>						

## DEVELOPMENT CO-OPERATION

Co-operation is based on the socio-economic development needs of the Netherlands Antilles, in particular in three fields:

### REDUCING ISOLATION

In order to offset the communication handicap inherent to the islands, the EC has consistently supported investments in airports in the Netherlands Antilles. So far, 35 MECU have been spent on airport development.

### ECONOMIC DIVERSIFICATION TO LIMIT VULNERABILITY

The economy remains vulnerable because of its small size, limited diversification, and dependence on sectors highly sensitive to economic cycles and political decisions, over which the country has little or no influence.

The Netherlands Antilles – together with the other OCTs – obtained a series of important trade concessions with the EC in 1991. These have already led to increased trade between the Netherlands Antilles and the Community.

This is underpinned by an EC-financed Business Development Scheme, aimed at improving production, productivity and marketing. In addition, the EC has facilitated participation in trade (and tourism) fairs, and provided technical assistance and lines of credit.

The EC has also supported the Netherlands Antilles' determined and successful tourism development policy, notably by increasing the European market – thereby contributing to



# ARUBA

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the diversification of the economy. Tourism development is attractive not least because it is both an export industry and relatively labour-intensive. In terms of its budget – 19.2 MECU - the Tourism Development Programme for the Netherlands Antilles is the most important of all EC-financed tourism programmes.

## UPGRADING OF HUMAN RESOURCES

In order both to increase opportunities for the individuals concerned and to upgrade the labour force – which analyses show are necessary to the continued development of the Netherlands Antilles – human resources has become the focal sector of the seventh EDF. This effort will build on earlier EC-financed projects such as school construction and training schemes in a number of sectors.

The EC has assisted in improving other parts of the islands' infrastructure – for example, road improvement in Bonaire, construction of ports, a desalination plant, a central market, and an abattoir in Curaçao.

An interesting recent development is the emphasis given by the Netherlands Antilles to regional cultural co-operation – in such fields as Caribbean film production, an all-Caribbean travelling art exhibition, and, most recently, an anthology in Papiamentu, the language of Aruba, Bonaire and Curaçao. All these projects are co-financed by the EC.

The island of Aruba is fairly flat, and, apart from its famous beaches and natural harbours, has no natural endowments of importance.

Aruba was hit even harder by the economic crisis in the mid-1980s than the Netherlands Antilles. Tourism suffered from the Venezuelan devaluation, and the refinery was closed for a period of time. GDP fell by almost 20% in 1985, but the situation was soon turned around, and Aruba has since experienced a boom period, particularly in

the tourism industry. The tourism sector has outperformed its competitors in the region, and even managed to expand during the Gulf Crisis – not least because of Aruba's deserved reputation as a safe destination.

The principal sources of income are tourism and oil-refining. Tourism set a new record in 1991, when, for the first time, more than half a million stay-over visitors came to the island. In 1992 there was a further 8.1% increase in visitor arrivals – which contributed to continued growth in the economy.

*Navigational aids, airport.*

## DEVELOPMENT CO-OPERATION

The EC has helped to considerably improve tourism infrastructure in Aruba. Financial assistance has been provided for the construction of a hotel school in Aruba. Aruba has also received support for participation in tourism fairs, notably to increase its market share in Europe. Presently the tourism industry is heavily dependent on the U.S. market.

The airport in Aruba has received navigational aids, and the EC has also financed an apron extension, as well as a new taxiway, currently under construction.

# TURKS AND CAICOS

## BACKGROUND

The Turks and Caicos Islands, a British Dependency, are an extension of the Bahamas chain and lie about 90 miles north of Haiti. Only 8 of the 30 islands are inhabited by the population of about 14 000.

The Turks consist mainly of Grand Turk, the administrative centre, and Salt Cay, whose salt flats propped up the economy for many decades. The Caicos Islands, including Providenciales, are the northern edge of a great triangular shoal. They are sparsely populated and have many untouched reefs and tidal banks.

The country is known as a tax haven, and the main pillars of the economy are tourism and banking. Strong growth in tourism and off-shore banking contributed to economic growth in the early 1990s following an unanticipated slowdown in economic activity in 1990. This growth has stimulated the movement of labour from other islands to Providenciales, the centre for tourist development.

## DEVELOPMENT CO-OPERATION

The EC has made a significant contribution to the country's transport sector. Inadequate airport and dock facilities were identified as a major constraint to the further development of the islands' tourism potential. Of the total available funds from EDF 4, 5 and 6, amounting to 3.9 MECU, 90% was, therefore, committed to the construction of the new South Jetty on Grand Turk.

The EDF has also financed a study of a transport link between North and Middle Caicos, and a study and design of a deep water harbour in North Caicos. In 1983 an air terminal was built at South Caicos. The main project to be financed from EDF 7 is in the area of economic infrastructure, namely a

### Profile:

Capital: Georgetown  
 Area: 430 km<sup>2</sup>  
 Population: 14 000  
 Language: English  
 Main exports: Fisheries  
 GDP per capita: US\$ 6 252 (1992)  
 Currency: US Dollar  
 1 ECU = 1.24 US dollars  
 (October 1994)

3.7 MECU water supply and sewerage project on Providenciales. Microprojects and tourist promotion will also receive financing.

The Turks and Caicos Islands have good potential for tourism, and the country participates regularly in important tourism fairs financed from the EC's Regional Trade Fair Programme.

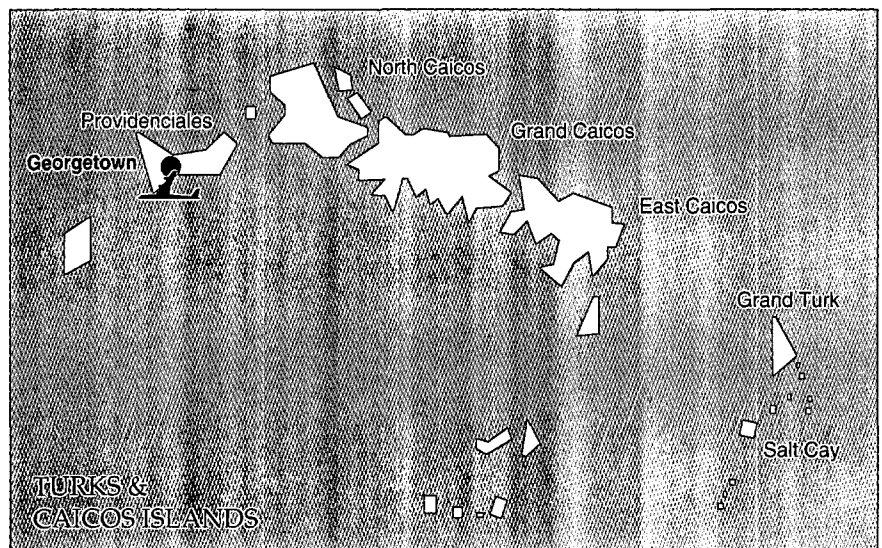
The country continues to benefit from the University of West Indies, and will benefit, too, from the Caribbean Regional Tourism Training Programme.

In 1988 25 000 ECU was approved under the Commission's AIDS programme for health education and surveillance.

*New South Dock under construction, Grand Turk.*  
 (Photo: EC Delegation)

### Community Aid (allocations in million ECU)

	EDF 4	EDF 5	EDF 6	EDF 7
National Indicative Programme	0.4	1.9	1.6	4
<b>Grand total:</b>	<b>7.9</b>			



# CO-OPERATION WITH OVERSEAS DEPARTMENTS

## GUADELOUPE GUYANE MARTINIQUE

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The French departments in the Caribbean are part of France – their inhabitants have French citizenship – and therefore part of the European Union. This status brings with it very real material benefits, but is not without certain disadvantages. While per capita income is generally higher than in neighbouring countries, and infrastructure is of a relatively high standard, all three departments depend heavily on transfers of public funds and imports from metropolitan France, and are economically rather isolated from their Caribbean or South American neighbours.

As regards trade, they are inside the European Union, and their trade with the rest of the Union is not subject to customs duties or quantitative restrictions. Trade with neighbouring ACP states is governed by the trade provisions of the Lomé Convention. However, the bulk of their trade is with the Union, and above all with France. In order to reduce their dependence on the distant European market, efforts are being made to promote trade with neighbouring countries, but at the moment this represents no more than 10-15% of their imports and exports.

As far as aid is concerned, the French departments are eligible for assistance from the Union's structural funds: the European Regional Development Fund (ERDF), the European Social Fund (ESF), and the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF).

The Regional Fund exists to promote the development of the Union's economically disadvantaged regions; all three departments qualify for help from the ERDF, as their per capita income ranges from below 40% to just over 50% of the European Union average. The Social Fund is for industries in decline or areas of high unemployment, which is the case for all three departments. The Guidance Section of the Agricultural Fund encourages the modernisation of agriculture, forestry and fisheries.

The French departments in the Caribbean are receiving substantial assistance from these three Funds. For the four-year period 1990-93, Guyane (French Guiana) – with a population of 115 000 – was allocated 73 MECU, Guadeloupe (385 000 inhabitants) was allocated 166 MECU, and Martinique, with a population of 360 000, was allocated 164 MECU. For the period 1994-99, Community assistance will total 165 MECU for Guyane, 345 MECU for Guadeloupe, and 330 MECU for Martinique.

The development programmes now being implemented were drawn up jointly by the local authorities and the Commission. They are co-financed with the French government and the Regional Council. The following pages give details of the kind of assistance provided.

# GUADELOUPE

Guadeloupe is an archipelago made up of eight inhabited islands. The two largest – Basse-Terre, a mountainous island featuring the highest point in the Antilles, the Soufrière volcano and Grande-Terre, which is relatively flat – are separated by a narrow sound known as the Rivière Salée. These two islands contain 87% of the population, of whom one-third lives in the area which includes the two largest towns, Pointe-à-Pitre and Les Abymes on Grande-Terre. The population – 387 000 in 1990 – has increased by some 50 000 over the past ten years.

Three-quarters of arable land is given over to sugar and bananas; most of the rest is used to grow vegetables. Although Guadeloupe is traditionally associated with rum and sugar, bananas currently represent about half of the total value of exports. Food imports are substantial. Guadeloupe's industrial sector, much of it concentrated in and around the port of Jarry on the Rivière Salée, comprises nearly 2 000 firms, most of them small, employing about one-fifth of the workforce. The production and distribution of electricity, the building industry and food-processing are among the main activities. In the services sector, made up of over 5 000 small businesses, tourism is important with some 120 hotels offering over 6 000 rooms in all.

Despite the development of tourism – which along with the sugar and banana plantations suffered badly from Hurricane Hugo in 1989 – Guadeloupe's economy remains fragile: the department relies heavily on imports, especially from metropolitan France, and on transfers of public funds. One of the main problems is unemployment, now affecting about 30% of the population.

## Profile:

Administrative capital: Basse-Terre

Area: 1 705 km<sup>2</sup>

Population: 387 000 (1990)

Language: French, Creole

Main exports: Bananas, sugar, rum

Currency: French franc

1 ECU = 6.6 French francs  
(October 1994)

## DEVELOPMENT CO-OPERATION

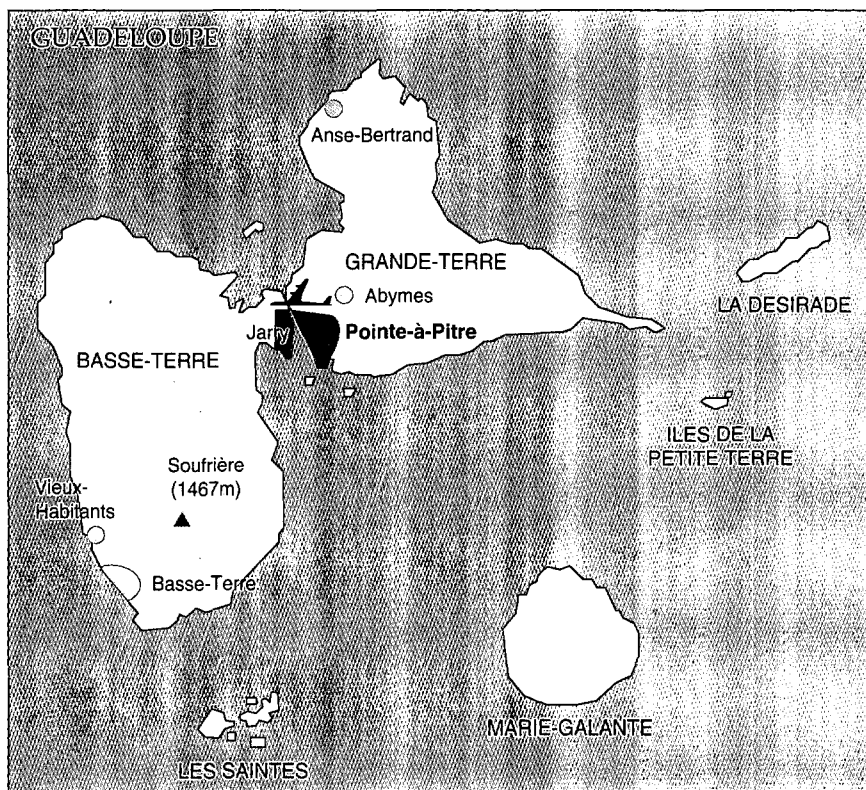
Guadeloupe's development strategy, drawn up by the local authorities and approved by the Commission, aims to build up a dynamic industrial and business centre, and to increase local production. In fulfilling these aims, the department would become less reliant on imports and more jobs would be created.

The Community is making a substantial contribution to this development effort: 166 MECU are being provided from the Regional, Social and Agricultural Funds for the period 1990-93.

Support for the industrial and business centre, referred to as the Euro Caribbean Business Centre, and situated between the airport and the port of Jarry, is taking a

*INRA research laboratory,  
Basse-Terre.*

*EU-financed road,  
near Petite Anse, Basse-Terre.*



number of forms:

- extension of the international airport of Le Raizet-Abymes with a grant of 19 MECU;
- construction of a road linking the airport with the port of Jarry including a second bridge over the Rivière Salée;
- construction of an industrial estate on the outskirts of Pointe-à-Pitre, including the provision of workshops for lease to small firms;
- development of a Regional Innovation Centre;
- direct assistance to firms (financial incentives, advisory services, recruitment of executive staff etc.).

These operations are being backed up by an intensive training drive heavily supported by grants from the European Social Fund. Every year nearly 6 000 people in Guadeloupe are receiving vocational training or help in finding a job.

For tourism, where the aim is to provide another 3 000 hotel rooms, and create 7-8 000 jobs in the process, the Community is financing infrastructure (water supply) on the island of St Martin, and for the seaside resort of L'Anse-Bertrand on Grande-Terre; an hotel at Fort Royal, and holiday flats at Vieux Habitants on Basse-Terre; and tourist

amenities in the National Park and other beauty spots also on Basse-Terre.

For agriculture, Community funds are being used to improve banana quality and yields for irrigation and for research (e.g. purchase of equipment for the National Agricultural Research Institute). Rural development is also being promoted through a reforestation programme to protect the environment, produce timber and increase tourism in rural areas.

Other activities supported by the Community include the development of a fishing port at Berger near Pointe-à-Pitre, and of a commercial port on St Martin.

For the period 1994-99, Community assistance will total 345 MECU for Guadeloupe.

*Preparing bananas for export,  
Basse-Terre*

# GUYANE

Like its neighbours, Suriname and Guyana, much of Guyane is covered by dense tropical forest and its population is largely concentrated along the narrow coastal strip. The towns of Cayenne, Kourou and St Laurent du Maroni contain between them 80% of the population.

Rice and vegetables are the main agricultural products, while bananas and sugarcane are cultivated on a limited scale. The department is not self-sufficient, importing a substantial proportion of its food needs. There is a small shrimp-fishing fleet. Food-processing and timber are the main industries. In 1990 Guyane produced 91 000 square metres of timber, but only just over 3 000 square metres of processed wood. The Guyane Space Centre, established since 1966, makes a significant contribution to the economy through the public works, orders, subcontracting and jobs it generates.

A number of problems currently hinder the development of Guyane's economy. The department, as well as being a long way from metropolitan France (7 500 kilometres), has very few communications with Brazil, Suriname or the rest of the Caribbean region. Its isolation results in high transport costs, which, together with the very small scale of the local market, hampers the development of

productive activities. Low productivity combined with European-level wages make Guyanese products uncompetitive, and exports only cover 13% of imports. Unemployment, although not acute (it stands at about 15% at present), is rising, and there is a shortage of vocational training, with most young people arriving on the labour market without any diploma or job qualification.

## DEVELOPMENT CO-OPERATION

In 1990 the EC Commission approved an Operational Programme of priority measures designed to tackle the department's particular problems – isolation, a weak industrial base, low agricultural productivity, and shortage of trained personnel. The Community agreed to contribute some 55% of the total cost of the Programme, put at 94 MECU.

In the communications sector, the Community is co-financing the enlargement and modernisation of Guyane's international airport at Rochambeau – this includes the construction of a new terminal – and the construction of a new 10 kilometre road

## Profile:

Administrative capital: Cayenne

Area: 91 000 km<sup>2</sup>

Population: 115 000 (1990)

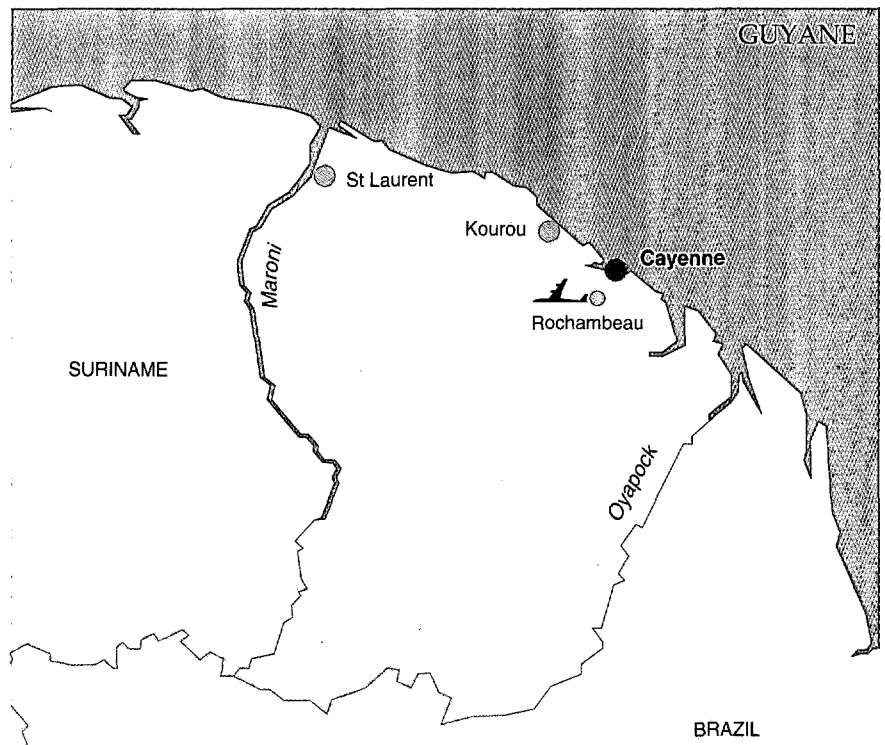
Language: French, Indian languages

Main exports: Timber, rice

Currency: French franc

1 ECU = 6.6 French francs

(October 1994)



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linking the airport with the port. When the works are completed, the airport will be able to handle large aircraft in complete safety. The Community is also making a substantial contribution to the improvement of telecommunications, which includes the installation of a radio telephone network along the entire coastal strip.

In the field of training, the Community has contributed some 12 MECU – a third of the total cost – for the construction of three new technical schools, two in Cayenne and one in St Laurent. Opened in 1992, these schools, which between them have a capacity of nearly 2 000, will prepare pupils for jobs in industry, commerce and the services sector. In addition the EC is funding nearly two-thirds of a 20 MECU vocational training programme, covering the building industry, agriculture, tourism, fisheries and forestry. Every year 1 800 people receive some form of training under this programme.

In the agricultural sector, the Community is supporting the development of rice growing, including research to increase the yield and quality of rice; the modernisation of farms, by, for example, helping farmers to buy tractors and other equipment; and the improvement of rural roads serving isolated farms.

For forestry, the cost of making tracks to improve accessibility is being shared with foresters, while the construction of research centres in Cayenne and Kourou will facilitate European and local research into the more general problem of how to exploit the resources of the tropical forest without damaging the environment.

Community funding is also available for the industrial sector, which consists essentially of small firms. Assistance includes incentives to modernise and innovate, funds to identify new products and markets, and, for larger concerns, financial help to recruit qualified managerial staff.

Community assistance for the period 1994-99 will total 165 MECU.

# MARTINIQUE

The most densely populated of the French overseas departments (327 inhabitants per square kilometre), Martinique is mountainous in the north and hilly in the south, with a fertile central plain representing about 10% of the total area. The island possesses one of the finest natural harbours in the Caribbean. The capital, Fort-de-France, built around the harbour, and its hinterland contain 45% of the population.

Like Guadeloupe, the island is traditionally associated with sugar, rum and bananas. In 1990 bananas accounted for 40% of the total value of Martinique's exports, while rum represented 9%. Pineapples, coffee, cocoa and spices are also exported. Martinique does not produce enough food to cover its own needs, and imports, particularly from metropolitan France, are substantial.

Industrial activity is concentrated in the central plain. Food processing accounts for almost half of all industrial employment. The distillation and bottling of rum is a major activity. Nearly three-quarters of the active population are employed in the tertiary sector, half of them in administrative jobs. Tourism expanded rapidly in the 1980's – the number of hotel nights increased by 50% and the number of pleasure cruise visitors doubled during the decade – and now brings in half as much money as exports.

In common with those of the other French overseas departments, Martinique's economy is heavily dependent on imports and transfers of public funds. Relatively high wages and the high cost of imports combined with low productivity make its products uncompetitive. In addition, Martinique suffers from an even higher rate of unemployment than Guadeloupe – almost one third of the population is out of work. This is partly attributable to low levels of training.

## Profile:

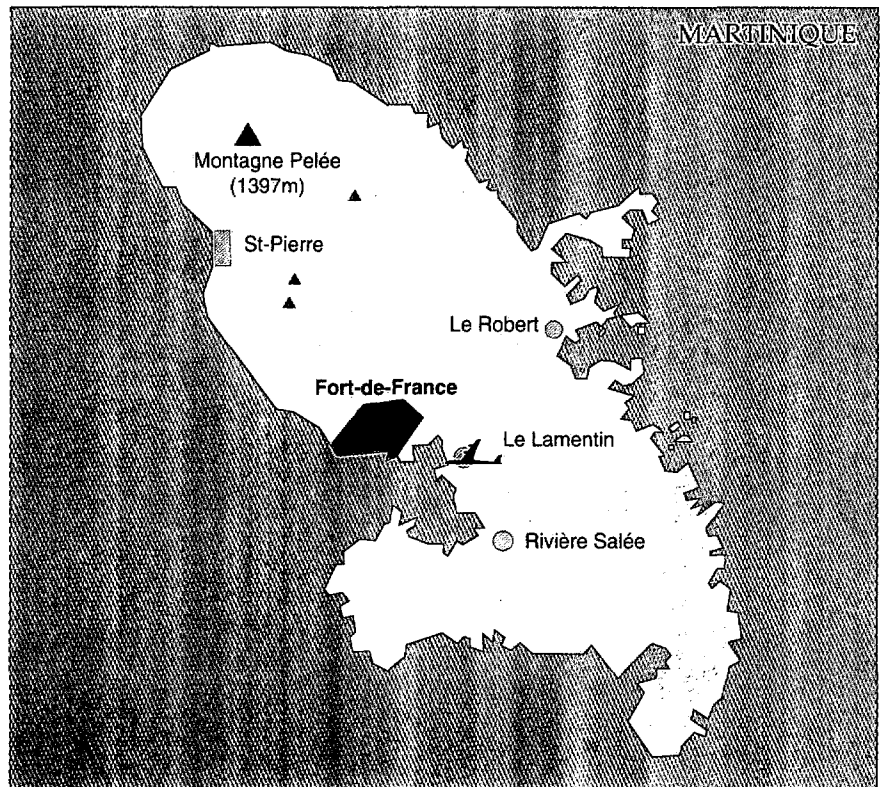
Administrative capital: Fort-de-France  
Area: 1 100 km<sup>2</sup>  
Population: 360 000 (1990)  
Language: French, Creole  
Main exports: Bananas, rum  
Currency: French franc  
1 ECU = 6.6 French francs  
(October 1994)

## DEVELOPMENT CO-OPERATION

The island's development strategy aims to create the conditions for economic development through improved communications and other infrastructure, and better training for the workforce, and to strengthen the job-creating productive sectors of the economy.

The Community is making a major contribution to Martinique's development effort – 164 MECU was made available for the period 1989-93.

Nearly one third of this amount has been devoted to training. The Community has funded the construction of the new technical college at Rivière Salée, and is also





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supporting a training centre for apprentices in the same area. In addition, nearly 6 000 people a year are being trained for a job thanks to support from the European Social Fund.

Several contributions have been made towards improving the island's economic infrastructure: a gantry and travelling crane on the commercial wharf at Fort-de-France, to facilitate the loading and unloading of containers; improved docking facilities for cruise ships on the other side of the harbour; and a new cargo hall for the international airport at Le Lamentin. The Fort-de-France bypass was partly funded with an earlier grant from the European Regional Development Fund, as was the installation of business parks in different parts of the island which the Community is supporting.

Apart from infrastructure, efforts to strengthen small-scale industry are receiving Community support in the form of grants to start up or modernise businesses, to encourage product research and development, and to transfer modern technology.

For agriculture, Community funds are being used to modernise the banana industry – by, for instance, the replacement of old equipment such as the cables used to transport bunches from the fields to the banana

hangars – and the sugar and pineapple industries.

The local authorities believe that there is still room to develop tourism and the Community, which shares this view, has provided funds to launch the Fort-de-France marina and the St Pierre tourism centre, as well as to provide tourist amenities in the interior.

Community assistance for the years 1994-99 will be 330 MECU.

## Principal abbreviations used in the Brochure

ACP	African, Caribbean and Pacific countries which have signed the Lomé Convention
CARDI	Caribbean Agricultural Research and Development Institute
CARICOM	Caribbean Community and Common Market
EC	European Community
ECSEDA	Eastern Caribbean States Export Development Agency
ECU	European Currency Unit (the EU's accounting unit, worth approximately 1.24 US \$ in October 1994)
EDF	European Development Fund
EIB	European Investment Bank
EU	European Union
GNP	Gross National Product
MECU	Million ECU
NGO	Non-governmental organisation (Save the Children Fund, Help the Aged, etc.)
NIP	National Indicative Programme
OCT	Overseas countries and territories associated with the European Union
OD	Overseas departments (Guadeloupe, Guyane, Martinique)
OECS	Organisation of Eastern Caribbean States
STABEX	Stabilisation of Export Earnings
UWI	University of the West Indies
WINBAN	Windward Islands Banana Grower's Association

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Sandra Baptiste and EC Delegations (pages 18-64)  
Jeffrey Russell (pages 65-71)

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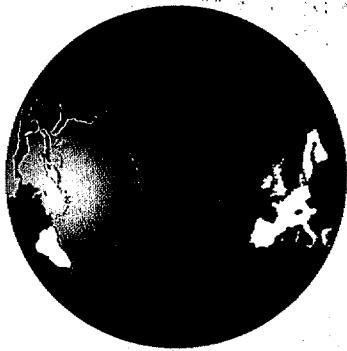
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