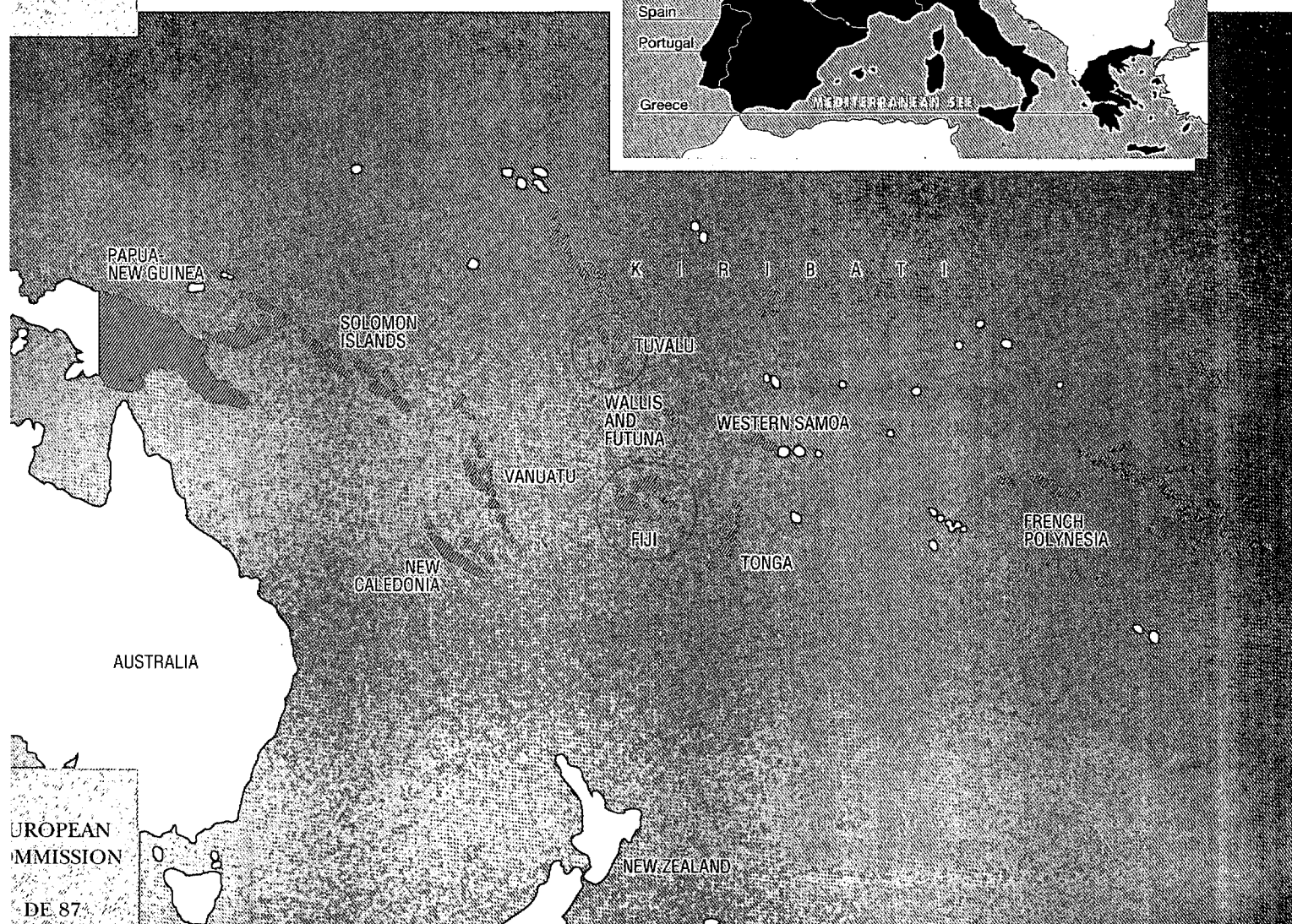
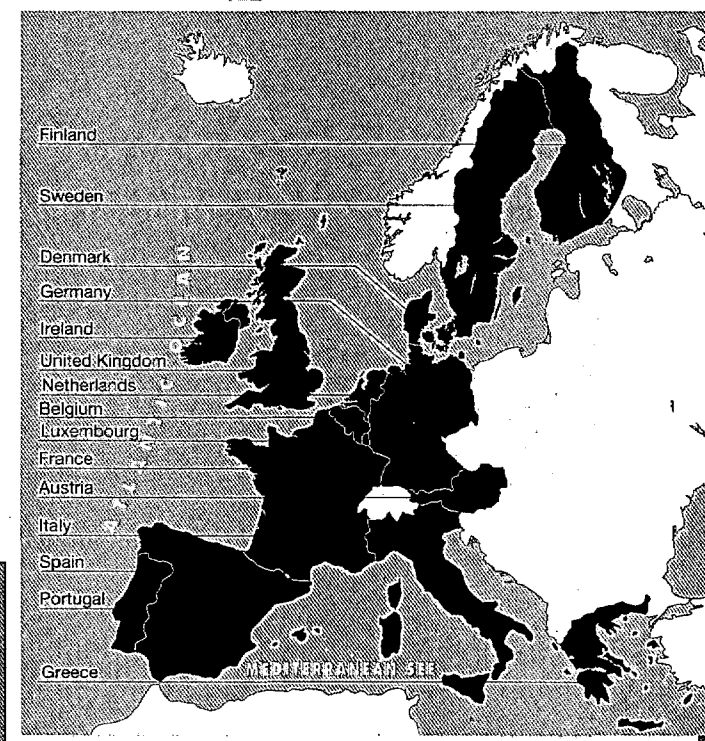




The South Pacific and the European Union









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INTRODUCTION

Bougainville, Cook, Torres, Santa Isabel, Tasmania, Finschhafen, Pitcairn ... the map of the South Pacific area is a store of nostalgic reminders of associations with Europe going back to the 18th and 19th centuries and earlier. After the early seafarers came merchantmen and planters, then missionaries and finally the administrators of the colonial era, which was to last for nearly a hundred years.

The gigantic upheaval of the Second World War hastened the end of the old order, and in postwar Europe the decline of colonialism coincided with the emergence of the European Community.

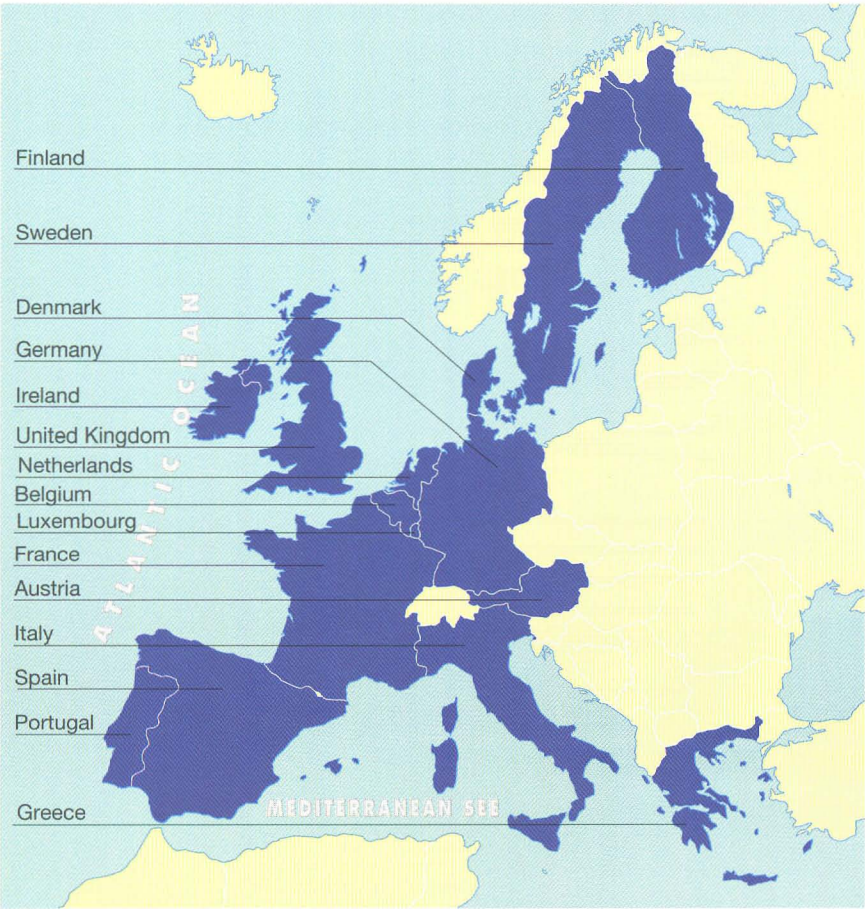
The Pacific region covers a vast area comprising very different countries : developed OECD countries like Australia and New Zealand, ASEAN countries such as Philippines and Indonesia, independent Pacific Island Countries some of which still maintain special relations with the United States or New Zealand and some French and British Overseas Countries and Territories.

In 1975 the Community signed an overall co-operation agreement - the Lomé Convention - with a group of independent African, Caribbean and Pacific (ACP) countries which included Fiji, Tonga and Western Samoa. Over the next five years Papua New Guinea, Solomon Islands, Tuvalu, Kiribati and Vanuatu signed the Convention on becoming independent, and joined the ACP group in their turn.

	European Community	Pacific ACP States
Countries	15	8
Population	369,000,000	5,532,000
Land area	3,243,000 km ²	526 550 km ² (EEZ area 11,730,000 km ²)
Average GNP per head in US\$ (1993)	18,385	1,060
Main exports	Steel, Vehicles, Machinery, Chemicals, Foodstuffs	Sugar, Palm Oil, Coffee, Gold, Copper, Logs, Petroleum

As signatories to the First Lomé Convention and its successors these eight States in the South Pacific, along with the Overseas Countries and Territories (OCTs) of France and the United Kingdom (New Caledonia, French Polynesia, Wallis and Futuna; Pitcairn) are entitled to a number of trade and aid advantages in their relations with the European Union (EU).

On the trade side, the Union takes roughly 50% of these countries' exports, free of duties or quotas. Overall, the trade balance is very much in their favour. Special arrangements for sugar and for compensation for losses on exports of other commodities are also of assistance.



On the aid side, the Union has introduced a significant programme of financial and technical co-operation. The EU will have transferred some 1,330 MECU¹ to the Pacific ACP countries and OCTs over the last 20 years. Together with its member states, it has provided on average some 23% of all assistance received by the South Pacific independent countries. Other major donors are Australia, New Zealand and Japan.

The importance of EU-Pacific relations is underlined by the permanent presence in Brussels of three Pacific ACP countries' ambassadors, representing Papua New Guinea, Fiji and Western Samoa. The Commission of the European Communities maintains two delegations and four Offices in the Pacific ACP countries and one Office to the OCTs to represent it on the spot.

This brochure describes the cooperation between the European Union and the eight ACP States in the South Pacific associated by the Lomé Conventions and the four OCTs of France and the United Kingdom.

1 MECU = million ECU

THE EUROPEAN UNION AND DEVELOPMENT CO-OPERATION

THE UNION IN EUROPE

In 1996, 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 Kingdom¹. Six of these are the founding members which 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 "European Community" (EC) will also be used.

THE UNION IN THE WORLD

In its relations with other countries the Union seeks to encourage world trade and the sustainable 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 the World Trade Organisation and 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 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, in Latin America, and the 70 African, Caribbean and

Pacific (ACP) States. With regard to the ACP States and 20 Overseas Countries and Territories (OCT), the bulk of the Community assistance is provided by the European Development Fund; however, the budget's resources to provide finance for cooperation with Non Government Organisations and in the areas of food aid, rehabilitation, tropical forests, fight against AIDS etc become more and more important.

When talking about the development cooperation of the Union, it should of course be borne in mind that some of its members are among the most important bilateral donors. Taken together, the Union's members provide slightly more than 50% of all official development assistance. The EC's aid funds represent about 16% of the total aid effort of its Member States.

THE FOURTH LOMÉ CONVENTION

The Lomé IV 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 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 Pacific ACP States, like all other countries that have signed Lomé, decide themselves which development instruments to use, according to their own priorities.
- Its institutions (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-EC Council of Ministers manages the Lomé Convention at government level, and is the ultimate decision-maker on questions of co-operation.
- The ACP-EC 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-EC 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.

The Joint Assembly shall also organize regular contacts and consultations with representatives of

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

European Community 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.

economic, cultural and social development bodies in the ACP States and in the Community in order to obtain their views on the attainment of the objectives of the Convention.

Lomé IV was different from its predecessors in being given a ten-year duration (1991 - 2000), although the financial protocol providing for the 7th EDF was for five years (1991 - 1995). Provision was made in the agreement, however, for the possibility of a mid-term-review, coinciding with the negotiation of the Second Financial Protocol establishing the 8th EDF. These negotiations provided opportunities to enrich the Convention further with provisions on institutional and political issues (democracy and human rights, political dialogue), trade issues (development of trade, extension of preferential arrangements to practically all products originating in ACP States), programming of aid (inclusion of EU objectives and priorities, greater flexibility of the use of the resources) and, last but not least, on the volume of aid (Second Financial Protocol establishing the 8th EDF, see box). The agreement on the modification of the Lomé IV Convention was signed in Mauritius on 4 November 1995.

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 OCTs. 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 OCTs to the EU. The fourth Lomé Convention/ Association Decision of 25 July 1991 will run for 10 years (1990-2000). This Convention implies two Financial Protocols defining the 7th and 8th EDF (1991-1995, 1996-2000 respectively).

The total size of the fund has been steadily growing:

	MECU
EDF IV	3,222
EDF V	4,818
EDF VI	7,500
EDF VII	10,940
EDF VIII	13,132

The proportion of grants to loans has also risen from 75% of the sixth EDF to 92 % of the seventh and eighth EDF.

Each fund is supplemented by loans from the EIB's own resources. The Bank may lend up to 1,225 million ECU (MECU) over the period 1991-1995 and 1,693 over the period 1996-2000.

The bulk of the EDF is divided among the ACP countries/ OCTs for their national or regional development programmes. Each country and region is allocated a fixed amount at the start of each Convention. 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.

THE ACP GROUP

Founded in 1975, with the signing of the Georgetown Agreement, the ACP group has grown from 46 initially to 70 African, Caribbean and Pacific States.

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-EC co-operation as well as intra-ACP matters.
2. **The Committee of Ambassadors:** composed of ACP Ambassadors to the EC 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 OCTs WITH THE EC

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 associations, 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 was concluded, like Lomé IV, for a period of 10 years.

There are a number of parallels between the regulations covering relations with the OCTs 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/OCTs 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 OCTs were concerned. Like the Lomé Convention, then, the Association is based upon open dialogue.

Trade arrangements, however, for products originating in the OCTs are more open than those for products originating in the ACP.

THE SOUTH PACIFIC AND THE EUROPEAN UNION

ECONOMIC AND POLITICAL SITUATION OF THE ACP STATES AND THE OCTs IN THE SOUTH PACIFIC

The countries of the South Pacific are groups of high islands or atolls scattered over a vast area of ocean. There are, for example, 700 km between the most northerly and the most southerly islands of Vanuatu, and the Solomon Islands chain stretches for nearly 1,500 km. They are a long way from each other, and from any industrial centre. Papua New Guinea is 4,500 km from Western Samoa. Sydney and Suva (Fiji) airports are 3,200 km apart. The distance between Papua New Guinea and French Polynesia is 8,000 km.

With the exception of Papua New Guinea, which is almost as large as Spain, land areas range from modest to minuscule. The other seven ACP countries put together represent a smaller area than Ireland.

Populations are not large. Even Papua New Guinea, which contains roughly two thirds of the region's total population, only has some four million inhabitants. Numbers are increasing however: the birth rates are high (up to 3% in Solomon Islands).

The South Pacific islands lie between the Equator and the Tropic of Capricorn, and their climate, vegetation and produce are tropical. Some are volcanic in origin, and the interiors of the bigger islands - New Guinea and Bougainville (PNG), Viti

Levu (Fiji), Upolu and Sava'i (W. Samoa) - are mountainous. Several countries lie in the path of frequent and destructive cyclones. Kiribati and Tuvalu are essentially constellations of atolls, lying so low that sea level rise is a real threat.

Subsistence farming and fishing are the mainstays of the region's economy. Taro (a starchy edible root), coconut and fish form the staple diet and are the main source of income in the rural areas.

Because the coconut palm - one of the world's most useful trees, so useful that the Pacific islanders call it the "tree of life" - is omnipresent almost, the whole region produces and exports copra, the commercially valuable product extracted from the coconut. Cocoa, coffee, bananas, timber, sugar (Fiji) and tuna fish (Solomon Islands, Fiji) are also exported. A palm oil industry has been developed in recent years in Papua New Guinea, which derives the bulk of its income from copper and gold, but also exports crude oil, timber, coffee, cocoa and coconut oil. New Caledonia is the region's other exporter of minerals (nickel and iron).

After primary products, tourism is the most important source of revenue, particularly for Fiji, where it is the biggest foreign exchange earner, before sugar.

Development constraints

Distance, small markets and natural disasters are the greatest barriers to the economic development of the region. They mean high transport costs which inhibit inter-island trade between countries; they increase the cost of providing administrative services and facilities such as schools and health centres; and they are an obstacle to the expansion of the tourist industry. The improvement of air and sea links and telecommunications is consequently a natural priority for national and regional authorities in the South Pacific.

Another constraint is the low level of local food production compared to modern levels of consumption, leading to a relatively high level of food imports (20% for the region as a whole, and as

much as 50% for Tuvalu and 80% for French Polynesia). A scarcity of fertile land, combined with subsistence farming and fishing methods and difficulty of access to markets, compounds the problem. South Pacific countries are determined to increase agricultural production, and are now devoting a substantial share of available funds to agriculture and rural development, including rural roads.

The region suffers from a shortage of skilled labour and increasing urban immigration, which has led all Pacific countries to give importance to human resources development in their development strategies.

Future prospects

Land may be limited, but the vast expanses of ocean surrounding the Pacific islands are rich in fish and, as has been discovered recently, in sea-bed minerals. The Pacific ACP countries have declared exclusive economic zones - their combined EEZs cover something like 12 million square kilometres of ocean! - but they will need external help to identify and exploit their marine resources.

In their natural beauty and strong cultural individuality, the Pacific islands possess solid tourist attractions, and tourism is an area which is a potential growth industry, despite the "tyranny of distance".

Most of the economies of the South Pacific countries are solidly managed - there is no major debt problem - and it is generally accepted that properly directed development programmes coupled with external aid could lead to reasonably sustained per capita growth. Due to the natural constraints of the Pacific region, this rate will necessarily be lower than in some other regions and will vary from country to country. Kiribati and Tuvalu might be expected to be at the lower end.

Political Situation

The Pacific ACP States are generally governed along democratic principles and have a good record on human rights. Ratings for political rights and civil liberties are high. Governments are relatively stable. The freedom of press is an important element which will have to be carefully preserved. The constitutional review in Fiji will be completed by mid-1997.

A strong trend towards regional cooperation has resulted in the establishment of fairly well organised and efficient regional organisations in various areas of common interest (e.g. fisheries, environment, mineral resources). Political decisions are taken in the "Pacific way" i.e. by consensus.

INSTRUMENTS OF COOPERATION BETWEEN THE EUROPEAN UNION AND THE ACP STATES AND OCTs IN THE SOUTH PACIFIC

Trade

The South Pacific region exports agricultural commodities, minerals and fish, and imports manufactured goods (notably vehicles and machinery), fuel and food. Almost all Pacific countries export coconut products (copra, copra oil) or palm oil; other important agricultural commodities are coffee and cocoa (PNG), logs (PNG, Vanuatu, Solomon Islands), bananas and vanilla (Tonga). Coconut cream (Western Samoa) and squash pumpkin (Tonga) have recently become rather successful "niche" products.

Fiji exports sugar. Tuna fish is a valuable product, particularly for the Solomon Islands and Fiji. Papua New Guinea is a major source of copper and gold; and New Caledonia is a leading nickel producer.

Up to 1990, the EC used to be the largest export market for the Pacific ACP States. Since 1991, this situation has changed and in 1993 the EU became the third most important purchaser of the Pacific ACP States exports, after Australia and Japan. However, the traditional surplus in favour of the Pacific ACP States in their trade with the EU is maintained: Pacific ACP States regularly export to the EU three to four times more than they import from the Union, with the result that the trade balance with the EC is highly in their favour. Within the EU, the British, German and Dutch markets are particularly important for Pacific ACP States exports.

PACIFIC ACP STATES - Trade patterns with major trade partners

(Million US Dollars)

	1989		1990		1991		1992		1993	
	ACP Imports	ACP Exports	ACP Imports	ACP Exports	ACP Imports	ACP Exports	ACP Imports	ACP Exports	ACP Imports	ACP Exports
EU	209	665	228	493	142	466	179	495	144	481
AUSTRALIA	748	241	787	374	873	709	836	933	883	1 063
NEW ZEALAND	174	66	180	84	208	58	216	48	242	46
JAPAN	440	619	387	418	284	480	280	515	336	819
KOREA	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
USA	152	75	119	69	156	96	298	164	122	197
TOTAL	1 723	1 636	1 701	1 438	1 663	1 809	1 809	2 155	1 727	2 606

Trade arrangements

The trade provisions of the Lomé Convention, recently improved again on the occasion of the mid-from review of the Lomé IV Convention, allow almost all exports to enter the EU duty-free and in unlimited quantities in future, while the Pacific countries may charge customs duties on any EU products which they import.

Under the Sugar Protocol attached to the Convention, the Community agrees to buy a fixed quantity of sugar every year from ACP sugar producers at an attractively high guaranteed price. As a result, Fiji, which can sell over 165,000 tonnes annually under the arrangement, is guaranteed a sure outlet at a price which is currently around twice or three times the world market price for about 35% to 40% of its annual sugar crop. This has been of particular importance in recent years, when world

sugar prices have been depressed. Fiji benefits furthermore from relaxations of the rules of origin for canned tuna and garments.

The Stabex scheme - cash transfers to compensate for serious losses of mainly agricultural export earnings as a result of price falls, crop failures or damage to crops - has also proved extremely helpful for the region. Over the period 1975 to 1994, transfers - in some cases of very substantial amounts - have been made for export losses on each of the region's key agricultural products (copra, cocoa, timber, bananas, coffee, palm oil). Every Pacific ACP country and one OCT has benefitted from the scheme, which has lent security to primary producers in the area. New Caledonia and PNG are eligible for assistance under the Sysmin system.

Trade promotion and Tourism

Funds are also provided under the Convention to promote sales of ACP products in the Community and in other markets outside the EC, through for example participation in trade fairs and technical assistance with market research and product

development. In the Pacific a particular effort has been made since 1986 to support tourism on a regional level.

Financial and technical assistance

In addition to their trade provisions, the Lomé Conventions, 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 Pacific ACP States.

repayable if the venture supported is financially successful.

In the South Pacific, EDF aid for national and regional programmes amounted to some 440 MECU under Lomé I to IV (First Financial Protocol).

Projects can also be financed with loans from the European Investment Bank, which carry more commercial rates of interest, although in practice these are often reduced by subsidies from the EDF. Mining and energy distribution in Papua New Guinea and hydro-electricity, forestry and telecommunications in Fiji are examples of industrial projects part-financed by EIB loans in the Pacific. The Bank has so far loaned a total of just 220 MECU to ACP countries in the region.

Some 14 % of the EDF is set aside for the stabilisation of export earnings. Stabex transfers are only made for products on which the ACP economies are dependent and which are affected by fluctuations either in price or quantity or in both. These circumstances have arisen frequently, and the substantial amount of almost 370 MECU (more than under the national indicative programmes) was transferred to Pacific ACP States for the application year 1975-94.

A small proportion of the EDF is reserved for emergency aid operations in the wake of natural disasters. The cyclone-prone countries of the Pacific, particularly Fiji, have had to call on the emergency aid fund on several occasions.

The Community's trade and aid arrangements for the OCTs in the Pacific are broadly similar to those under the Lomé Convention. Over the period 1975-95, New Caledonia, French Polynesia and Wallis and Futuna will have received some 85 MECU in territorial and regional project aid and 27 MECU in EIB loans (see table p. 36).

These tables below shows that over the first fifteen years of EC-Pacific cooperation, the Community had spent or committed in one form or another 1,330 MECU in the region. Although not the leading donor, it has nonetheless built up significant development aid programmes, particularly in the field of regional cooperation.

Under the first three Lomé Conventions, Stabex transfers were repayable under certain conditions. Amongst the Pacific ACP States, these conditions were fulfilled for Papua New Guinea and Fiji. However, in 1991, all repayments still outstanding were waived. The total value of this waiver was some 83.5 MECU. Under Lomé IV, all Stabex transfers are in grant form.

In 1990, Papua New Guinea was granted Sysmin funding of 30 MECU following the closing down of the Bougainville copper mine in 1989. Because of continued insecurity on the island during the years following this decision, this amount has been used for priority road rehabilitation on the main island.

in Vanuatu.

The bulk of the EDF is available for development projects chosen by the ACP countries and approved by the Community. Works, supplies and technical cooperation (studies, technical assistance, training) can be financed. Each country has a fixed amount to spend on its national programme. In addition, funds are available for regional projects benefitting two or more countries, often implemented by regional organisations.

Since the Fourth Lomé Convention, EDF aid is entirely in the form of grants. Setting aside the loans from the EIB's own resources, the only remaining loan element in the EDF is risk capital,

PACIFIC REGION

Total EC Assistance to the Pacific ACP States 1976-95

Allocations in MECU

	Lomé I EDF 4 1976-80	Lomé II EDF 5 1981-85	Lomé III EDF 6 1986-90	Lomé IV ⁽¹⁾ EDF 7 1991-95	Total 1976-95
Indicative Programmes ^(2,3)	45,00	67,80	102,20	109,80	324,80
Structural Adjustment ⁽⁴⁾				17,20	17,20
Regional Programmes	10,50	30,40	39,00	35,00	114,90
Regional Trade and Tourism (art. 22/100/138)		3,90	8,20	3,40	15,50
EIB loans	31,00	75,90	57,50	55,00	219,40
Risk capital	2,00	29,30	11,30	7,00	49,60
Interest rate subsidies	5,00	6,6	9,40	5,60	26,60
Stabex	12,20	79,20	178,90	98,40	368,70
Sysmin			30,00		30,00
Emergency aid	3,80	6,40	1,70	1,40	13,30
Aid to refugees			0,70		0,70
Food aid			0,20		0,20
AIDS			1,00	0,40	1,40
Aid via NGOs	0,40	0,70	2,00	0,90	4,00
TOTAL ACP	109,90	300,20	442,10	334,10	1186,30

1 First financial protocol Lomé IV

2 Excluding RC (minimum guaranteed risk capital), see EIB

3 Excluding structural adjustment

4 for PNG

5 Application years 1990-1994

6 Lomé III : Eligibility decided 1990

Fiji

BACKGROUND

Fiji is an archipelago of about 300 islands of varying sizes. Of these, only about 100 are permanently inhabited and 87 % of the land area of the country is formed by the two largest islands, Viti Levu (10,389 sq km) and Vanua Levu (5,534 sq km). The population of the capital city, Suva, on the east coast of Viti Levu, is about 160 000 - some 22 % of Fiji's total population. Other important towns include Lautoka, Nadi and Ba on the western side of Viti Levu and Nausori to the east. Vanua Levu's population is about a fifth of the country's total population; its main town is Labasa.

The population of Fiji was recorded as 715,375 in the 1986 census. At that time the largest component was the 349,320 Indian Fijians (48.8% of the total), who started coming to Fiji from 1879 as indentured labour in the sugar and copra industries. By the end of 1988 the Bureau of Statistics estimated that native Fijians had become the largest community in the islands for the first time since 1946. In December 1990 official estimates put the total population at 736,000, of whom 340,000 (46.2%) were Indian Fijians, 360,000 (48.9%) were indigenous Fijians, and the balance were "others" (including Europeans or part-Europeans, Chinese, and other Pacific Islanders). Nearly two-thirds of the population lives in rural areas but there is a marked drift to urban areas, and in particular to Suva, Lautoka and Nadi. The population is predominantly youthful, over two-thirds being under 30 years of age and well over a third under 15 years.

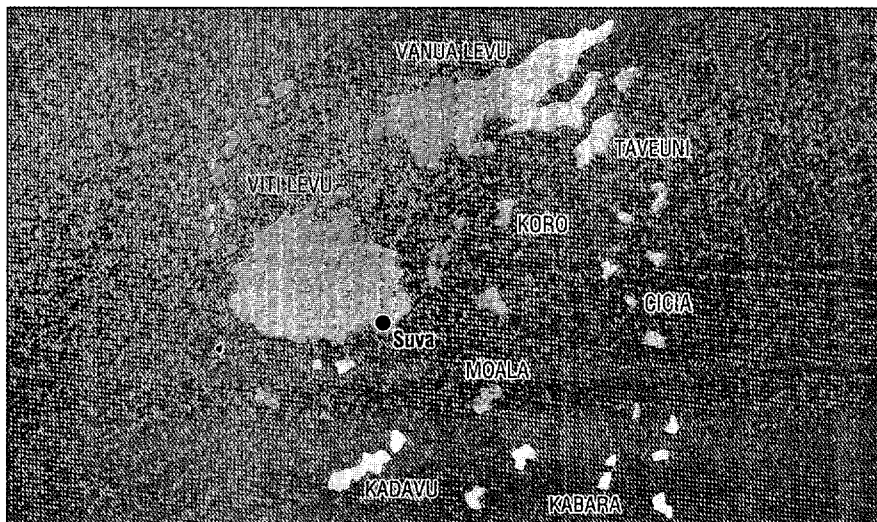
With a per capita GDP of US \$2,140 (1993), Fiji is the most developed of the the Pacific ACP countries and ranks as a lower middle-income developing country. Based on the UNDP-developed "indicator of human development", which combines GDP growth, life expectancy and education (rate of literacy, length of schooling), Fiji ranks 5th of all ACP states, after Barbados, Trinidad and Tobago, Bahamas and Antigua and just one place ahead of Mauritius.

Its growth potential should not, however, be overestimated. Small and dispersed domestic markets, a narrow resource and production base, long distances to export markets and a rather high frequency of natural disasters (cyclones) constitute strong limiting structural factors for rapid and strong economic development. Additional problems emerge from the multiracial society, which have occasionally led to emigration of skilled manpower and capital and diminishing private foreign investors' confidence. Taken together, these factors partially explain why, in spite of significant aid flows (about US \$ 60/capita in 1991), economic growth has been relatively low (averaging 2.5% from 1983 to 1990, including severe disruptions in 1987 and 1988 and 2.9 % from 1989 to 1994). As a consequence, growth in employment (around 1,500 new jobs p/a) has been unable to keep pace with strong labour force growth (around 10,000 p/a), giving rise to high levels of unemployment, particularly among young people.

Fiji's short-term economic performance relies traditionally on the sugar industry and tourism; more recently, manufacturing (garments, wood products, tuna canning) has become a significant activity, accounting for 12 % of GDP and 25 % of total jobs (1994). Around 40 % of formal sector employment is in the public sector. Main exports (1994) are sugar (44 %), garments (25 %), fish products (12 %) and gold (11 %). However, the competitive situation of these products, apart from the latter, depends on the continuation of the various trade preferences currently applied: for sugar, the EU Sugar Protocol; for garments, the arrangements with Australia and New Zealand under the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), and the relaxations of rules of origin for garments and canned tuna under the Lomé Convention.

PROFILE

Date of independence :	10.10.1970
Total land area :	18 274 sq. km
	322 islands (inhabited islands : 100)
Total EEZ area :	1 290 000 sq. km
Capital :	Suva
Population :	775 000 (1995)
Language :	English (official), Bau, Hindustani
Main exports :	Sugar, Garments, Gold, Fish and Timber
GNP/head :	US\$ 2 140 (1993)
Currency :	Fiji Dollar
	1 ECU = 1,86 FD\$
	(Feb. 1996)



Fiji typically runs a deficit on its merchandise trade account which is offset by non-factor service receipts (tourism) and capital inflows, the latter being dominated by private investment and therefore largely dependent on business confidence in internal stability, international competitiveness and trade preferences.

Fiji's external indebtedness is low, compared to other ACP States, and has generally been linked to the financing needs of major public sector projects. Since the late 1980s, the government has made efforts to shift the financing of public sector activities and investment from foreign to local resources, so that the ratio of external debt to GDP has dropped from 28 % (1989) to 14 % (1994). The debt service ratio stood at 9 % in 1994.

DEVELOPMENT COOPERATION

Fiji was a signatory of the first Lomé Convention in 1975 and, to date, the country has been allocated some 190 MECU in EC development cooperation funds.

Starting with a relatively modest 9.9 MECU under Lomé I, the **national indicative programmes** rose to 13 MECU under the following Convention. Without neglecting rural development (feeder roads in Vanua Levu), under **Lomé I** most of the resources were devoted to transport infrastructure (a main road on Vanua Levu). Under **Lomé II**, cooperation concentrated clearly on agriculture and rural development, in particular by means of the funding of microprojects, with infrastructural programmes (the extension of the Vanua Levu road, social infrastructure) taking second place. Under this Convention, a new field of action was also addressed : trade development.

Trade development was further developed under **Lomé III (6th EDF, 20 MECU, of which 5 MECU in special loans)**, with support given to an Investment and Trade Development Programme. The longer-term objective of the project was to widen the economic base of Fiji and to create employment. The more immediate objective was the establishment of a Tax Free Zone near Suva. In order to promote this scheme and to secure markets for exporting the goods which would eventually be produced, the project included a programme of trade and investment promotion to be implemented by the Fiji Trade and Investment Board. Due to problems linked with identifying an appropriate site, the project, which had been given the go-ahead in 1990, only came on stream in 1995.

Rural and agricultural development continued to be one of the main sectors of cooperation, with the funding of three major projects. The first was a coconut rehabilitation and development project, situated on the island of Taveuni, which aimed at improving the productivity of coconut plantations through the introduction and multiplication of high yield hybrids. The project also provided for the establishment of a 30 hectare coconut nursery centre, which was expected to finance itself through the sales of seedlings. EC support for this project ended in 1992, since when the scheme has been taken over by the Government. A second project (a large-scale microprogramme divided into two sub-programmes) aimed on the one hand at the construction of access roads to facilitate the development of cocoa plantations, and on the other at the introduction and development of pineapple plantations in Vanua Levu. The first component was closed after disappointing results. The second component, however, produced very interesting and promising results, which will, however, need private and governmental support in order to become sustainable. A rural electrification project involving 28 rural electrification schemes and the supply and installation of a small power plant is still ongoing.

Under Lomé III, the formerly prominent transport infrastructure sector lost some importance. The Kubulau Peninsula road project on Vanua Levu brought to an end the work started under previous Conventions. This road, which filled the last gap in the circuminsular road, was opened in July 1994. Lomé III also saw the beginning of human resources development as a new theme of cooperation, with Technical Assistance funded for the logging school. This area, embodying strong links with forestry and environmental issues, has been further developed under Lomé IV with the reconstruction of the school burnt down in 1993, and the enlargement of the training and education provided to what now constitutes a Forest Training Centre.

The National indicative programme relating to the first protocol of **Lomé IV (7th EDF, 22 MECU in grant aid)** identifies rural development and social infrastructure as the sectors of concentration to which 65 % of resources are to be devoted. The remaining 35 % will be used for nonfocal activities, including trade and services, tourism, cultural cooperation, training and technical cooperation.

Unfortunately, it was only following the very destructive cyclone "Kina" in January 1993 that cooperation activities could start in the form of the rebuilding of four bridges either severely damaged or completely destroyed by the post-cyclone floods. Work on two smaller bridges of major importance to Viti Levu

(Korovou and Vunidawa, 1.135 MECU) was started in 1994 by the Public Works Department and completed in January 1995. The Financing Agreement for the two major bridges (10.24 MECU) was signed in June 1994 and provides for the rebuilding of the bridges of Ba and Sigatoka. Both bridges form part of the main road around the island of Viti Levu and are therefore vital for the movement of people and goods on Fiji's main island. The new bridges, 190 and 182 metres long respectively, will be two-lane, and will provide for footpaths and utilities. To enable the traffic to by-pass the often congested towns of Ba and Sigatoka, new sites for both bridges have been chosen, which also call for the building of new approach roads. Building works were underway in early 1996 and completion is expected by July 1996 (Ba) and early 1997 (Sigatoka).

Non programmable aid for Fiji has been considerable over the years. While Stabex transfers for losses on coconut oil (total 5.4 MECU under Lomé I - III) came to a halt under Lomé IV (because levels of exports fell below the required dependency threshold), unfortunately, emergency aid (total 9.5 MECU) is still needed. Time and again the islands have been hit by cyclones (the most recent occasion being in January 1993, when the EU made available 1 MECU for food rations following cyclone Kina).

A significant feature of EU-Fiji cooperation has been that, in the past, the **European Investment Bank**, under Lomé I to III, has been very active in Fiji, extending loans from its own resources for a total value of 87.5 MECU and 6.1 MECU allocated in risk capital. Loans went to the sectors of energy (hydropower scheme), industry (wood processing) and services (telecommunications, sea and air transport). Considerable interest subsidies (total 14.1 MECU) have also been made available under the various EDFs in support of these loans. More recently, the EIB has financed an aircraft maintenance centre (1991) and a telecommunications project (1995).

TRADE COOPERATION

Over and above financial cooperation, Fiji benefits from the second largest quota (165,348 tonnes p.a.) under the **Sugar Protocol** annexed to the Lomé Conventions - a quota which covers some 45 % of its total sugar exports. The yearly benefit from this provision can be estimated at between 45 and 55 MECU, i.e. only slightly less than the total of all programme aid granted since Lomé I (64.9 MECU). About two-thirds of these benefits reach the farmers, so that the EU subsidises every sugar smallholder to the extent of some 1,500 ECU/year on average.

Recently, Fiji's quota under the Sugar Protocol was increased by 881 tonnes, as a result of the reallocation of the shortfall of deliveries by Barbados. Furthermore, Fiji benefits from an annual special tariff quota to the tune of some 30,000 tonnes up to the year 2001.

Industrial development and external trade have been supported by the relaxation of the **rules of origin** for exports to the EU of canned tuna to the extent of 500 tonnes/year from 1/1/1993 to 31/12/1996 and for certain quantities of garments, for which a first exemption ending on 31/12/1993 has recently been extended to 31/12/1998.

Fiji's main exports to the EU (sugar, fish and garments) - and the resulting surplus in its trade relations with the EU - are consequently highly dependent upon the continuity of these preferences.

In the field of services, more specifically in tourism, the EU - through its support of the Tourism Council of the South Pacific - has contributed to the fact that every sixth tourist or so arriving in Fiji comes from a member country of the EU. Tourism being by far Fiji's most important source of foreign exchange earnings, receipts from European tourists amount at present to some 30 MECU, and are greater than those from the export of fish and fish products.

Taking the Sugar Protocol into consideration, the EU is by far the most important of Fiji's development partners, followed by Australia. EU Member State bi-lateral cooperation with Fiji (UK, France, Germany) is also significant.

Community aid

Allocations in MECU

	Lomé I	Lomé II	Lomé III	Lomé IV ¹⁾	Total
NIP	9.9	13.0	20.0	22.0	64.9
Stabex	2.1	3.0	0.3		5.4
Emergency aid	3.6	4.6	0.3	1.0	9.5
Aid via NGOs	0.3	0.1	0.4		0.9
EIB loans OR	24.0	28.0	22.5	13.0	87.5
Risk Capital	0.1	5.0	1.0		6.1
Interest rate subsidies	3.9	5.3	3.7	1.3	14.1
TOTAL	43.7	59.3	48.2	37.0	188.4

Kiribati

BACKGROUND

A group of 33 islands, lying astride of the equator, Kiribati (pronounced Kiribas) was known until independence in 1979 as the Gilbert Islands. Now an independent republic, Kiribati comprises three main island groups - the Gilberts proper, the Northern and Southern Line Islands, and the Phoenix Islands. Unlike the people of Tuvalu (with whom the Gilbert Islanders were formerly linked as the Gilbert and Ellice Islands), the people of Kiribati (the I-Kiribati) are Micronesians, as opposed to Polynesians. Of a total population of some 76 000, 25 000 live in the capital, Bairiki, on the island of Tarawa.

The total land area is 810 km², with the islands spread over 3m km² of ocean. As low-lying atolls, with coral rock and hard sand and soil, Kiribati has few natural resources. However, a limited range of food crops such as taro, coconuts, bananas and breadfruits are grown locally. Other food and consumer goods, as well as fuels and capital goods, are imported.

Until 1979 Kiribati enjoyed a favourable trade balance due to phosphate export earnings, which at that time represented about 88% of total earnings. The closing down of the phosphate mining industry in that year had a drastic effect on the economy. However, revenues from phosphate then deposited in a Revenue Equalization Reserve Fund (RERF) still constitute an important source of income for the country.

At present, Kiribati's export earnings derive principally from copra and fish, which account respectively for 50% and 20 - 30% of total export earnings.

The creation of a 200-mile EEZ in 1978 paved the way for the development of Kiribati's marine resources, since the country lies in a major tuna fishing area. In the 1980s the government embarked on a programme aimed at developing a commercial tuna fishery sector. In addition, new technology opened up the long-term possibility of exploiting seabed mineral resources, to offset diminishing land-based supplies.

PROFILE

Date of Independence : 12.07.1979

Total land area : 810 sq. km
33 islands (inhabited islands : 17)

Total EEZ area : 3,558,200 sq. km

Capital : Tarawa

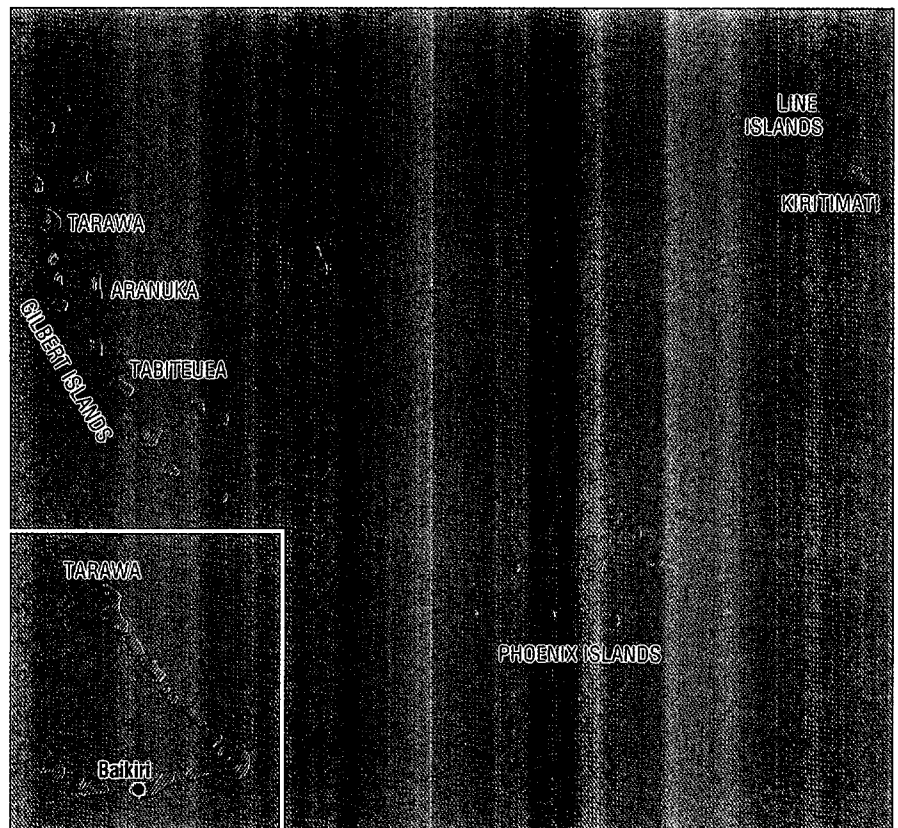
Population : 76,000 (1996)

Language : Gilbertese and English

Main exports : Copra, Fish

GNP/head : US\$ 710

Currency : Australian Dollar
1 ECU = 1.7 AUD
(March 1996)



DEVELOPMENT COOPERATION

Kiribati was allocated a total of 14.5 MECU in programmable resources under the first three Lomé Conventions. Projects included the financing of infrastructural work, activities in the fisheries sector and - to a lesser extent - training and microprojects programmes.

Telecommunications projects have absorbed two thirds of total funds : the rehabilitation of the South Tarawa Telephone Exchange was funded under Lomé I (3.3 MECU), and a further 6.2 MECU was allocated under Lomé III for equipment destined to enable the country to control its vast marine and air space. Both projects required preliminary studies, technical assistance and training. To improve national air transport, airstrips were built at Arnauka and Tabiteuea South (ECU 333 036).

In the fisheries sector, an important part (2.8 MECU) of the Lomé II financial allocation was used for the construction of two 26-metre pole and line tuna fishing vessels.

Microprojects for a total value of ECU 173 000 were financed covering various programmes such as the building of copra storage sheds, improvements in water supply and sanitation, seaweed cultivation and the building of fish ponds.

Stabex transfers from the Community to the government of Kiribati have amounted over the years to a total of just over 6.3 MECU. All have been granted in respect of losses on export earnings for copra.

Under the current Convention, Lomé IV, Kiribati received 6 MECU in grant aid under the first Financial Protocol, which has been used to fund three main projects. Firstly, a Seaweed Development Programme is being funded (1.1 MECU), which sets out to provide villagers with an additional source of cash income. Secondly, 1.475 MECU have been allocated to a National Training Programme which aims to provide in-country training tailored to meet Kiribati's manpower needs and skill requirements. Finally, an Airport Development Programme (1.2 MECU) seeks to upgrade the country's international airports to acceptable standards, thus helping to maintain international air connections to the country.

Implementation of all three projects began in 1995.

Community aid

Allocations in MECU

	Lomé I	Lomé II	Lomé III	Lomé IV ⁽¹⁾	Total
National Indicative Programme					
- Grants	3.50	4.00	6.50	6.000	20.00
- Risk Capital			0.50	1.000	1.50
Stabex	2.30	1.60	2.40	0.036	6.30
TOTAL	5.80	5.60	9.40	7.036	27.80

Papua-New Guinea

BACKGROUND

A geologically diverse country with active seismic and volcanic zones, Papua New Guinea is rich in mineral resources. Unlike other countries of the region, its major export earnings are derived not from agriculture, although 80% of the active population is employed in subsistence farming, but from the mineral sector. At present, oil, gold and copper alone account for 75% of total exports. Other mineral resources such as natural gas also offer commercial possibilities. Apart from gold and copper, PNG's main exports are coffee, timber, palm and coconut oil and cocoa. In most years, the country enjoys a favourable trade balance.

Much of the Papua New Guinea terrain is difficult, and transportation is a serious problem. The central chain of mountains, comprising a number of high ranges interspersed with wide valleys, represents a major obstacle to inland transport, which needs to be improved if the country's economy and domestic market are to be developed.

Papua New Guinea, the largest Pacific ACP State in land area and population, is also the most diverse in character. Development plans have therefore to overcome the problems presented not only by separation by sea and rugged terrain but also by the heterogeneity of its peoples, speaking over 800 languages and living in 20 mainland and island provinces.

DEVELOPMENT COOPERATION

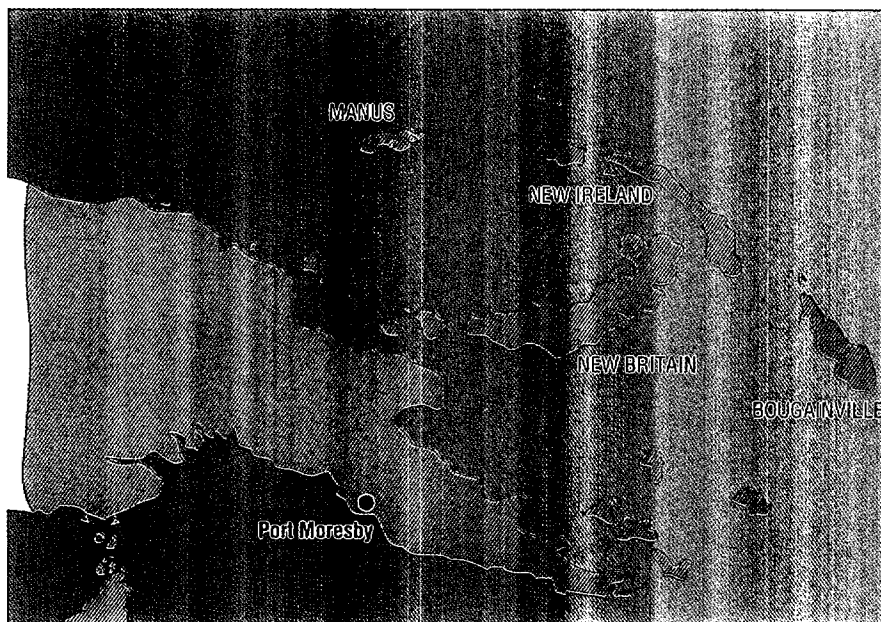
Since May 1977, Papua New Guinea has been linked to the European Community, initially through a special arrangement for the application of the Lomé I trade provisions. It became a full partner in cooperation following accession to Lomé I in November 1978. Through successive Conventions, the cooperation relationship has been significantly strengthened, to such an extent that the European Union is now one of the most important of Papua New Guinea's development partners.

The Union's overall contribution to Papua New Guinea's development efforts up to the end of 1995 has amounted, in the form of commitments, to some 549 MECU.

The various instruments of cooperation available under the Lomé Conventions have been utilised in accordance with the country's needs. The programmable allocations for funding projects have seen significant growth from Lomé I (10 MECU) through Lomé II (23 MECU) and Lomé III (34.5 MECU) to Lomé IV (44.2 MECU). The content of the programmes reflects the major obstacles to be overcome in the development of the nation.

PROFILE

Date of independence : 15.09.1975
Total land area : 461 691 sq. km
Total EEZ area : 3 127 000 sq. km
Capital : Port Moresby
Population : 4 000 000 (1995)
Language : Pidgin English, English and about 800 other languages
Main exports : Gold, Copper Oil, Coffee and Timber
GNP/head : US\$ 1 000 (1994)
Currency : Kina
 1 ECU = 1,77 Kina
 (March 1996)



Under Lomé I the National Indicative Programme (NIP) was principally geared to rural development, which included road infrastructure, storage facilities, rural electrification, technical assistance and microprojects, and other actions for the development of the rural sector, but also education and training. The main project involved the reconstruction of a section of the Hiritano Highway to the west of the capital, Port Moresby. Another project concerned the construction of two fisheries resource assessment vessels.

Under Lomé II grant aid was concentrated on economic infrastructure and education and training. A major project was the reconstruction and improvement to full bituminous standard of the Kimbe-Talasea Road in West New Britain Province. Another road project involved the upgrading and sealing of a section of the Magi Highway, east of Port Moresby. The Tari-Mini Hydro project, in Southern Highlands Province, was the first project to be implemented within the framework of the national diesel power replacement programme. The aim was to attain considerable savings in fuel import and logistical costs, by introducing non-fossil fuel energy generation in isolated rural areas. In the area of education, the multiannual training programme provided 270 overseas training awards.

Cooperation activities under the Third Lomé Convention focused on rural development, with 75% of available funds going to the sector, the remaining 25% being used to fund technical cooperation training and trade and investment promotion. In the framework of rural development, EU support concentrated on economic infrastructure and roads. Two major projects were the reconstruction and sealing of additional sections of the Magi and Hiritano Highways.

EU Microprojects programmes were instrumental in enhancing the living conditions of the rural population through relatively simple, selfhelp schemes working with local communities.

A training programme provided awards for study at European educational institutions and, a sizeable in-country training component of courses for young professionals and public servants.

Under Lomé IV (first Financial Protocol), the two focal sectors are human resources (50%) and rural development (40%) with 10% reserved for other actions outside the focal areas.

A Human Resources Development Programme provides for infrastructure at the University of Papua New Guinea, for the upgrading of four provincial high schools to teach grades 11 and 12 as part of a national education reform programme, and a scholarships and in-country training component.

Under the Rural Development focal sector, microprojects and water supplies were provided to rural communities. Some funding was also allocated to the construction of the Ramu Highway, and technical assistance to the Departments of Finance, Works, and Environment and Conservation.

Other Aid Instruments

A number of other aid instruments have contributed substantially to EU/PNG cooperation.

Stabex has been a key instrument in balance of payments support and has accounted for approximately a half of all EU aid disbursed. PNG is one of the largest beneficiaries of the Stabex instrument. Over 200 MECU has been provided in Stabex Transfers since Lomé I to help make up for the shortfalls in foreign exchange earnings from coffee, cocoa, palm oil and coconut products. The transfers have been used for crop improvement through research and extension, agricultural diversification and for the support of producer prices of the four main crops.

Emergency Aid is used to provide immediate relief following natural and man-made disasters. This facility has been used to provide food aid for migrants from Irian Jaya and assistance with their resettlement in East Awin in the Western Province. Medical supplies were provided through the Red Cross for the crisis on Bougainville. From the EU budget line for rehabilitation, a community schools building on East New Britain is being funded to help villagers displaced by the eruption of the volcano in 1994.

In addition to the above, a special financing facility exists (Sysmin) for countries where mining is important. Under Lomé III aid was provided through the Sysmin programme towards mitigating the negative effects from the closure of the Bougainville copper mine. This is being used to support a road's upgrading and rehabilitation programme in the interests of economic diversification, and also for the construction of the Ramu Highway.

Rural Water Supply : typical rain catchment, feeding locally produced fibreglass tank.

Under Lomé IV an important innovation was introduced in the form of structural adjustment support. Following the closure of the Panguna copper mine on Bougainville Island in 1989, the Government adopted a structural adjustment programme. The mine had accounted for 30% of the country's export revenues and also for considerable revenues in the form of taxes and royalties. The EU has contributed to the structural adjustment programme agreed between PNG and the Bretton Woods Institutions through the financing of import programmes. The counterpart funds generated by these import programmes are used to support the budget for the education sector.

The European Investment Bank has also made a significant contribution to PNG-EU cooperation. As there is no National Development Bank in PNG, the Bank of Papua New Guinea (BPNG) was used to organise a two-tier facility with selected financial institutions to onlend to small and medium scale enterprises in industry, agro-industry and tourism sectors. A major project in 1995 was the local participation in the Lihir Gold Mine. Under Lomé III, EIB risk capital was provided for the Yonki Hydro-electric project; the construction of a storage dam and the installation of two new 15 MW generating units at the Ramu power station in Eastern Province.

Finally, an environmental and community development programme is being funded from the EU Tropical Forestry budget line for the Islands region of PNG. The project aims to help local communities to use their forest resources for income-earning opportunities in a sustainable way, particularly through the promotion of ecoforestry.

Community aid

Allocations in MECU

	Lomé I	Lomé II	Lomé III	Lomé IV ⁽¹⁾	Total
NIP	10.0	23.0	34.5	44.2	111.7
Structural Adjustment				22.5	22.5
Stabex		50.7	77.6	78.9	207.2
Sysmin			30.0		30.0
European Investment Bank	8.9	61.7	36.5	64.0	171.1
Other ⁽¹⁾			0.8	6.0	6.8
TOTAL	18.9	135.4	179.4	215.6	549.3

1 Emergency Aid, Rehabilitation-, Forestry-, NGO-, Budget Lines

Solomon Islands

BACKGROUND

Solomon Islands is made up of 6 large islands, 20 smaller ones and hundreds of small islets and coral reefs. The main islands are rugged and mountainous, covered with tropical rainforest and with limited arable land. Agriculture, however, remains the main activity for about 85% of the population, who are primarily engaged in the subsistence economy.

The population growth rate is one of the highest in the world (3.2% - 3.5%), and it is estimated that the total population in 1995 exceeded 360 000. About 94% of the population are Melanesian, the remainder being Polynesian and, to a lesser extent, Micronesian. The official language is English, although Pidgin is the most commonly used language. Some 90 different indigenous languages are also spoken.

The most heavily populated islands are Malaita and Guadalcanal. The main urban centre, Honiara, is in the north of Guadalcanal, which became the Solomon Islands' capital after World War II, has a population of some 45 000.

Solomon Islands became an independent state on 7 July 1978 and remained a member of the Commonwealth. The "Westminster Style" government is headed by the Prime Minister who leads a Cabinet of 20 ministers. The legislature is the unicameral 47-seat National Parliament; the members are elected by universal suffrage for a four-year term.

DEVELOPMENT COOPERATION

Since becoming a member of the ACP Group, Solomon Islands has benefitted from the various Lomé Conventions, its allocations, including Stabex funds, increasing from 12.9 MECU under Lomé I to 50.3 MECU under Lomé III, at which time the European Union became the most important donor of development aid to Solomon Islands. More than 92% of the aid was given in the form of grants, only 4.0 MECU being allocated in the form of special loans and risk capital of the European Investment Bank (EIB).

Under the 4th Lomé Convention (First Financial Protocol) EC aid allocated has amounted to 25.8 MECU in grant aid to date, of which 6.8 MECU are from Stabex funds.

As under former Lomé Conventions, the 7th European Development Fund (EDF) supports the overall development policy of the Solomon Islands government and is focused on rural development in its broadest sense. The aim is to strengthen the smallholder sector, both directly in the form of increasing

PROFILE

Date of independence : 07.07.1978

Total land area : 29,000 km²

Total EEZ area : 777,000 km²

Capital : Honiara

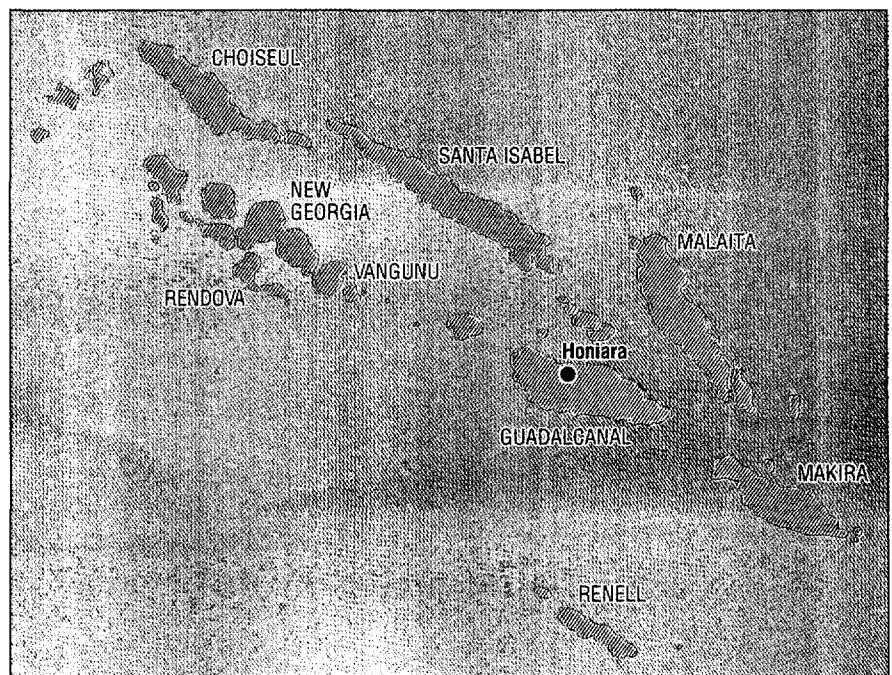
Population : 360 000 (1995)

Language : English and Pidgin (Official) and about 90 indigenous languages

Main exports : Logs, Fish, Palm Oil, Cocoa beans, Copra

GNP/head :

Currency : 1 ECU = SBD 4.56 = USD 1.30 (March 1996)



production and raising incomes through export and local cash crops, and indirectly, through improvements to rural infrastructure thereby improving marketing opportunities. The most important roads project, financed from the 7th EDF, is the ongoing Malaita rural infrastructure project which is opening isolated agricultural areas and providing access to potential new areas. The programme is being implemented in parallel with a farmer support programme to develop the agricultural areas made productive by the infrastructure project. This strategy also includes improvements to rural health centres covering the country so that every Solomon Islander is able to reach a health care point in about one hour.

Special emphasis is being given to rural youth who have no access to secondary schooling or who have failed to meet the selection criteria. This involves assistance to a network of rural training centres. Their association now includes about 30 centres providing 2- to 4-year training programmes for about 2,000 students. The programmes concentrate on skills which are useful for productive integration into rural life and for setting up small scale enterprises in carpentry, motor mechanics, agriculture, home economics (including formal courses in English), mathematics and small business affairs.

Island life is always linked to fishing, which provides protein and cash incomes for a growing part of the rural population. A rural fishing enterprises project is aiming to create or to revive village cooperative fishing by providing basic equipment, teaching improved fishing techniques and organising marketing facilities in Honiara and exports (mainly to Australia).

A particular effort has been made in the forestry sector with the allocation of Stabex counterpart funds for reafforestation programmes over a period spanning more than 10 years. Substantial financial support of more than 6 MECU has gone towards the operation and development of government-owned forestry plantations in several provinces. The privatisation of plantation activities as well as sustainable forest management practices are being promoted by local landowners and communities, in the hope of countering the increasingly threatening impact of foreign industrial logging companies.

Political support will be decisive for the success of such activities aiming to protect the natural environment, which are supported by several non-governmental organisations and by the Commission's own budget line for sustainable tropical forest management. The scale of industrial logging, which has escalated during the 1990's to an extent that about 48% of the 1995 revenues are covered by log exports, needs to be brought back to sustainable levels and planting activities have to guarantee that there is a future for the growing generation of young Solomon Islanders.

Community aid

Allocations in MECU

	Lomé I	Lomé II	Lomé III	Lomé IV	Total
NIP					
- Grant	9.90	12.00	15.00	19.00	55.90
- Special Loans (Commission)	0.80		2.00		2.80
- Risk Capital (EIB)			2.00	2.00	4.00
SUB-TOTAL (NIP)	10.70	12.00	19.00	21.00	62.70
Stabex	2.20	4.20	31.30	6.80	44.50
Emergency Aid			0.43	0.02	0.45
TOTAL	12.90	16.20	50.73	27.82	107.65

Tonga

BACKGROUND

The Kingdom of Tonga, located in the South Pacific, just west of the international dateline, is the first landmark in the world to see each new day. The Kingdom covers hundreds of times more sea than land. Comprising 170 islands, of which only 45 are inhabited, with a total land area of just under 700 km², Tonga is formed of four main island groups. From the hub of the southerly capital, Nuku'alofa on Tongatapu, to the volcanic and coral islands of the Ha'apai group, to the picturesque waterways of the Vava'u archipelago, the Kingdom stretches out to the far north to the remote volcanic Niuaus.

The people of Tonga are Polynesians, speaking their own language, though English is also widely spoken.

Agriculture has remained the principal sector in the economy, providing, at least in part, a livelihood for around two-thirds of the population and accounting for some 35% of Tonga's GDP. The copra and banana sectors, which dominated exports in the 1970s and much of the 1980s, have been replaced in importance in the 1990s by squash pumpkin exports to Japan, and by exports of vanilla and various root crops (cassava, taro and yams). The high reliance on squash pumpkins, and their somewhat volatile export performance, has led to a precarious balancing of the economy and to efforts to diversify into other export crops.

The potential of fisheries is significant, although Tonga has yet to declare its Exclusive Economic Zone, which would place approximately 700 000 km² of ocean under its national jurisdiction. Given its relative state of underdevelopment, fisheries at present accounts for only 5% or so of GDP. A small manufacturing sector also exists, concentrated mainly at the Small Industries Centre located outside Nuku'alofa.

Tonga's physical beauty and highly traditional society make it an attractive tourist destination, attracting some 27 000 visitors each year. The industry provides full-time employment for around 1 500 people and earns the Kingdom some TOP \$12.5m annually.

DEVELOPMENT COOPERATION

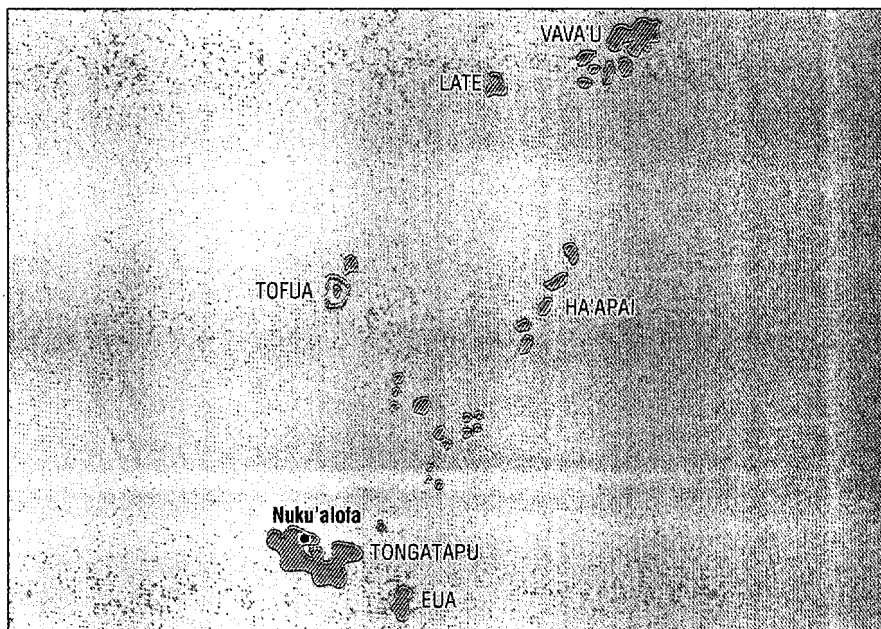
EC-Tonga cooperation began in 1975 with the first Lomé Convention, soon after Tonga gained full independence in 1970.

Grant aid totalling 19.8 MECU (Lomé I - Lomé IV) has been allocated to Tonga in its 20-year membership of the Convention.

Under Lomé I funds were directed principally towards two main projects, the construction of the wharf at Neiafu, Vava'u, and funding for the Ministry of Works to procure road maintenance equipment, build schools, rural health centres and small wharves at Ha'apai and Vava'u. Remaining funds were used to finance studies involving dredging, trade promotion and designs for Vava'u and Fuaa fisheries harbours. The EIB also financed under Lomé I a line of credit (ECU 130 000) to the Tonga Development Bank.

PROFILE

Date of independence:	4 June 1970
Total land area:	699 km ² (some 170 islands, of which 45 inhabited)
EEZ:	362 000 km ²
Capital:	Nuku'alofa
Population:	100 000
Language:	Tongan and English
Main exports:	squash pumpkin, vanilla
GNP/capita:	US \$ 1 100
Currency:	Pa'anga (Tonga \$) 1 ECU = 1.61 pa'anga (Feb. 96)



Lomé II funds focused on the fisheries sector, and on initiating works relating to the upgrading of the Vava'u airport. Projects in the fisheries sector aimed at encouraging fishermen to undertake commercial fishing to meet local demand. To this end, the Fuaa Fisheries Harbour for small boats was built, and marketing and cold storage facilities provided.

By the time Lomé III funds came on stream, Tonga had adopted a regional development approach with regard to the island groups, aimed at a coherent development programme taking account of the specific constraints and potential of each. The Vava'u group of islands became identified as the focal area for the use of EU assistance, and Lomé III resources (6.5 MECU in grants and 0.5 MECU in the form of risk capital to be managed by the EIB) as well as Lomé IV funds (6 MECU and 1 MECU respectively) have duly focused on its development.

Located in the north of the Kingdom, Vava'u is the second group of islands both in terms of population (16 000) and land area. With an abundance of natural resources, the agricultural and tourism potential of Vava'u is perceived to be greater than that of the other island groups. This potential was largely untapped on the onset of Lomé III, however, due to several constraining factors including relatively low productivity, undeveloped marketing infrastructure, substantial import levels, poor distribution of utilities and public services and an underdeveloped tourism sector held back *inter alia* by the limited access to the island group.

Two main projects under Lomé III aimed at addressing these problems. The first (1.24 MECU) sought to complete the upgrading of the local airport at Lupepau'u (begun under Lomé II). In addition to the upgrading of the runway, a new terminal building, complete with safety and navigational equipment, was provided and was in use by early 1995. The second project, the "Vava'u Development Programme" (5 MECU), comprised a series of activities including the upgrading of roads, the provision of photovoltaic equipment for household energy needs, the supply of equipment for vocational training colleges, the building of health clinics, of a new market and of an agricultural quarantine building, and the establishment of the Vava'u Development Unit as the monitoring and implementing agency for the programme.

The Programme continues under Lomé IV, with approximately 85% of programmable resources for Tonga (approximately 5 MECU) set aside for activities in the focal area. Funds will be directed towards developing the Neiafu urban area, in recognition of the need to upgrade access and services in the commercial centre of Vava'u. The projects envisaged include the upgrading of the town centre and urban roads, improvements to the ports facility and increasing the capacity and improving the distribution of piped and rain water to households. In addition, a multi-annual micro-projects programme will lead to the construction of jetties on the inhabited outer islands of Vava'u, thereby

improving both social and economic access from these islands to the main centre of Neiafu.

In addition to the above grant aid, Tonga has received funds in the form of Stabex transfers for losses in export earnings in respect of coconut products, bananas and vanilla. It also received emergency aid in 1977, following an earthquake, and in 1982 following Hurricane Isaac.

EIB interventions have contributed to the share capital of the Tonga Development Bank and have increased the Bank's lending capacity to small and medium-sized enterprises.

Community aid

Allocations in MECU

	Lomé I	Lomé II	Lomé III	Lomé IV	Total
National Indicative Programme	3.2	4.1	6.5	6.0	19.8
EIB loans : risk capital		2.3	3.8	2.0	8.1
Structural Adjustment support					
Fisheries Agreement					
Stabex	1.2	4.0	4.0	2.0	11.2
Food Aid					
Other (emergency aid, NGOs projects, AIDS control, environment)	0.1	1.4			1.5
TOTAL	4.5	11.8	14.3	10.0	40.6

Tuvalu

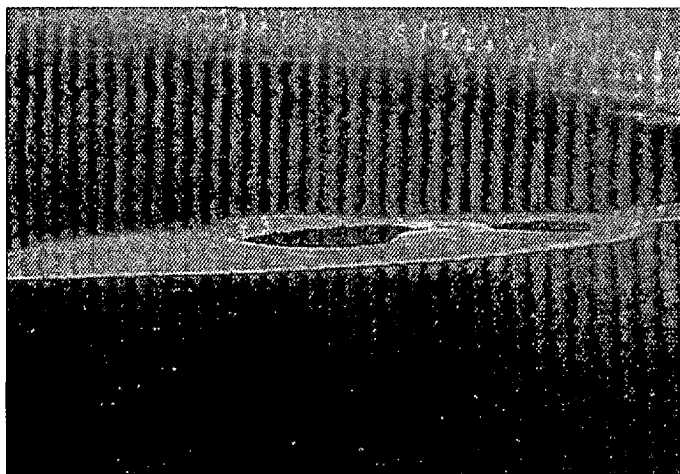
BACKGROUND

The nine coral atolls that make up Tuvalu extend over 560 km in a winding line from the island of Nanumea in the north to that of Niulakita in the south. At no point is the land more than 5 metres above sea level, and - because of the atoll terrain - there are no rivers and the land is not fertile.

Although there are a few local products such as coconuts, bananas and breadfruits, the country is heavily dependent on imports to cover its basic needs.

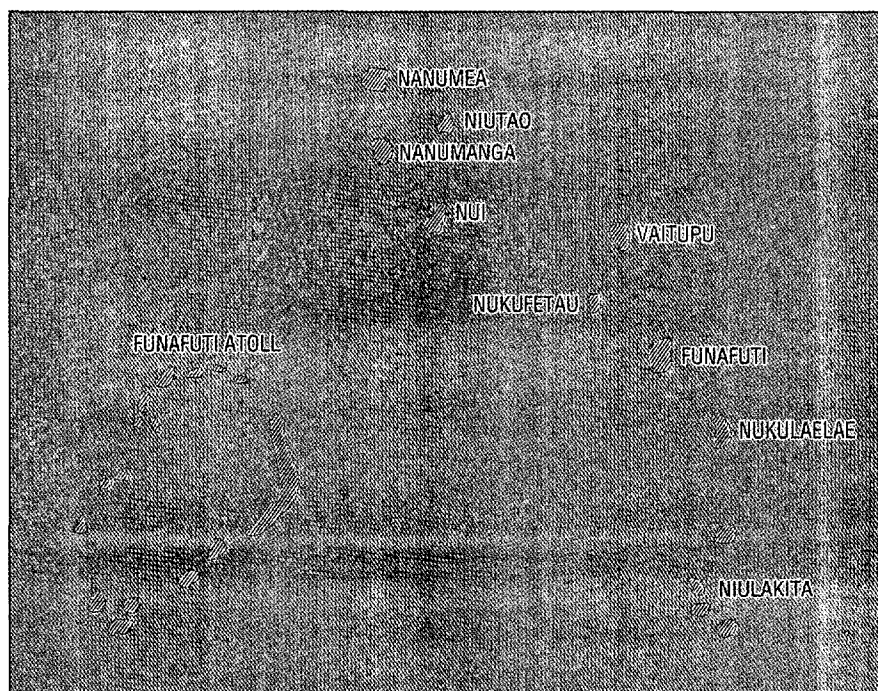
With a huge EEZ (50 thousand times as large as its land area), there is, however, considerable potential in the fisheries sector. Though the country has neither the financial nor the human resources at present to develop the sector independently, it obtains revenue from the licences it grants for that purpose to foreign vessels fishing in its territorial waters. Additional sources of revenue include the sale of commemorative and thematic postage stamps, and the remittances from the numerous Tuvaluans working abroad.

The islanders of Tuvalu are Polynesians and, until they gained independence in 1978, their islands were combined with Micronesian neighbours in the north to form the Gilbert and Ellice Islands. Of the 9 000-strong population of Tuvalu, some 4 000 live on the capital island, Funafuti.



PROFILE

Date of independence	01.10.1978
Total land area	25.9 sq. km. (a group of atolls, 8 inhabited islands)
EEZ	1,300,000 sq. km
Capital	Funafuti
Population	9,000
Language	Tuvaluan and English
Main exports	Stamps
GDP/head	ECU 890 (AUS \$ 1,238) (1990)
Currency	Australian Dollar 1 ECU = AS 1.71



DEVELOPMENT COOPERATION

Tuvalu, the smallest and most remote of the Pacific ACP States, joined the Lomé Convention following independence in 1978. To date (Lomé I - Lomé IV) it has been allocated 4.9 MECU in grant aid, and 3.6 MECU in assistance from the European Development Bank (EIB).

Under the first Lomé Convention, Tuvalu's allocation (ECU 600 000) was used to provide equipment in the energy sector and for microprojects programmes aimed at improving copra storage facilities and enhancing access to drinking water.

Both projects (the Funafuti Power Plant and the microprojects programmes) were continued under Lomé II, and two further projects were initiated. To develop the electrical system, generators and a distribution network were installed in Funafuti. In addition, a Coastal Protection programme was started with the intention of preventing erosion by the construction of coastal defences on all the islands. Such protection is particularly important for Tuvalu, not merely to conserve the little land the country has, but because the population is concentrated on the rural coastal area and grows its main staple crops (taro and pulaka) on land which - without seawalls - is vulnerable to flooding by sea water. Coral-based seawalls have proved inadequate in the past, and the aim of the project was to provide strong, durable protective seawalls to protect islanders' land and livelihoods.

Tuvalu's third National Indicative Programme (2 MECU, Lomé III) defined economic infrastructure as the focal sector, with 70% of resources being allocated to an extension of the Coastal Protection programme and 30% to the generation of electricity. In the energy sector, funds were used to provide solar power for domestic lighting to households on the outer islands, and to upgrade the electricity supply system on the main island, Funafuti.

The greater part (ECU 900 000) of the Lomé IV allocation (1.3 MECU) is going to a Fuel Import Programme, aimed at providing balance of payments and budgetary support to the government of Tuvalu. Payments made by the Tuvalu Electricity Corporation (TEC) in respect of the fuel provided are credited to a counterpart fund account which is then used for agreed budgetary purposes, principally in the fields of health and education.

In addition to the above, Tuvalu has received STABEX transfers for a total value of ECU 485 256 - all in respect of losses of earnings on copra.

Community aid

Allocations in MECU

	Lomé I	Lomé II	Lomé III	Lomé IV	Total
National Indicative Programme	0.60	1.00	2.00	1.30	4.90
Risk capital		0.10	2.00	1.80	3.90
SUB-TOTAL	0.60	1.10	4.00	3.10	8.80
Stabex	0.17	0.14	0.14	0.03	0.48
Emergency Aid				0.02	0.02
TOTAL	0.77	1.24	4.14	3.15	9.30

Vanuatu

BACKGROUND

An archipelago consisting of a double chain of 80 or so islands, Vanuatu has a land surface of just over 12 000 km² and an EEZ of some 960 000 km². The 168 000-strong population, the great majority of which (98%) is Melanesian, is distributed throughout the island groups, though some 18% of the total live in the two largest towns : the capital, Port-Vila on Efate, and Luganville on Espiritu Santo. Because of migration to the capital, Efate has the fastest growing population. Though over 100 languages exist on the islands, bislama is the lingua franca, with French and English as official languages, used in schools, the civil service and the economy as a whole. Vanuatu attained independence in 1980, having previously - since 1906 - been administered as the Anglo-French condominium, the New Hebrides.

Agriculture is by far the most important sector of the economy, though its principal cash crops - copra and cocoa - have suffered from periods of low world market prices in recent years. The livestock sector is also important, in terms both of the domestic and of the export market, and fisheries provide income in the form of licences and from small-scale fishing operations. In addition, most of Vanuatu is covered by natural forests providing potential benefit for the country where exploitation is carried out on a sustainable basis.

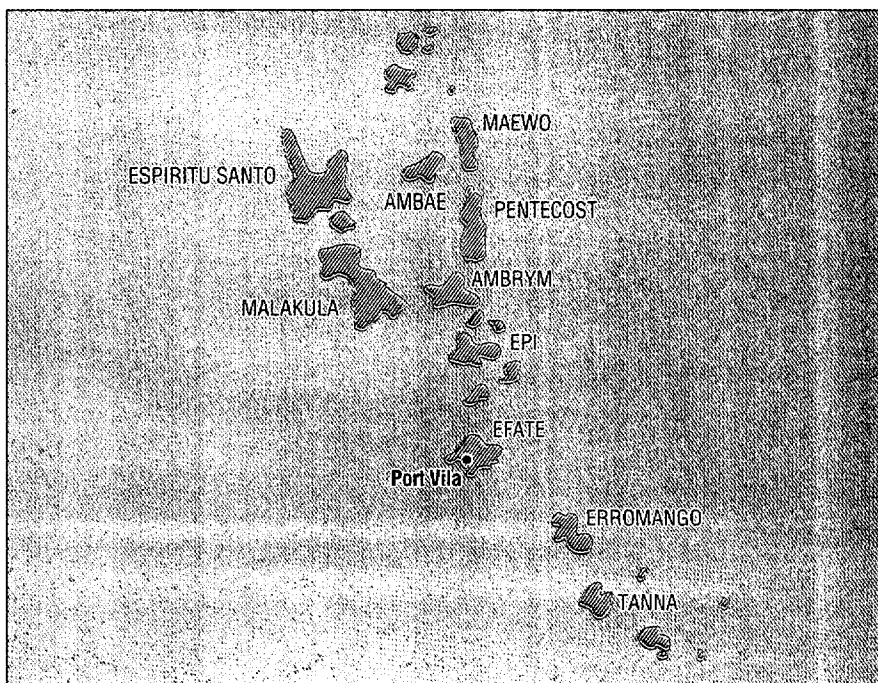
The country also has a small manufacturing sector (involved principally in the processing of imported products). Financial services, and in particular tourism, are other important contributors to the country's GNP and economic growth.

DEVELOPMENT COOPERATION

Vanuatu was allocated 2.8 MECU and 4.5 MECU respectively under the first and second Lomé Conventions, with the programmable aid destined mainly to finance development projects in rural areas. A Coconut Development Project (2.1 MECU) was conceived to encourage smallholders to rejuvenate their coconut stands by planting new varieties and replacing non-productive trees. Seedlings and seednuts were subsidised by the project as an incentive to smallholders to participate in the scheme. In the fisheries sector, a large number of small-scale village fisheries projects were started, with the aim of providing employment opportunities and reducing fish imports. Assistance to the promising livestock sector was another aspect of the Lomé I programme : ECU 450 000 was provided, initially, to improve extension services and marketing facilities for cattle farmers. In addition, a wide range of development programmes, including coffee nurseries, pepper plantings, reforestation, water supply and feeder road construction was covered under two microproject schemes (ECU 380 000 in all), while a further microproject programme (ECU 150 000) sought to raise copra quality by providing 860 hot air driers and installing 940 improved smoke driers in rural communities.

PROFILE

Date of independence :	30.07.1980
Total land area :	12 190 sq. km.
	12 main and over 70 small islands
EEZ :	960 000 km ²
Capital :	Port-Vila
Population :	168 000 (1995)
Language :	English, French and Bislama, and about 100 indigenous languages
Main exports :	Copra, Beef and Veal
GNP/head :	US\$ 11 230
Currency :	The Vatu
	1 ECU = 149 Vatu (Feb. 96)



Rural development was the sole priority sector under the third Lomé Convention, and a wide range of rural activities were covered, including rural access roads, coconut plantation development, the diversification of agricultural products, the consolidation and further development of the fishery project, support to livestock farmers and forestry plantation. A further project, in the realm of cultural cooperation, funded the establishment of a Cultural and Historical Site Survey, so helping to record Vanuatu's rich cultural and archaeological heritage.

Under Lomé IV, the emphasis has shifted to infrastructure in rural areas : of the two main projects one seeks to build or upgrade main roads on six islands - Ambrym, Epi, Ambae, Santo, Malo and Malakula. The other, in the education sector, aims to contribute to the improvement of primary education in rural areas by the rehabilitation of more than 40 primary schools throughout the islands, with construction standards that will ensure low maintenance costs for a period of 20 years. In addition, the project provides for the establishment of a data base on the physical condition of the schools and for training in their maintenance.

In addition to the above grant aid, the EIB has provided finance for the Vanuatu Development Bank - in risk capital and for onlending to smallholders - to the tune of 2 MECU. A further 2 - 4 MECU of risk capital may be provided under Lomé III and IV.

Like many other Pacific islands, Vanuatu's export revenues have suffered periodically from cyclones, on the one hand, and from low world prices for its main export commodities (copra particularly) on the other. Stabex payments have been high accordingly : over 31.5 MECU throughout the years, with payments reaching a high point of over 11 MECU in 1986 for losses of earnings for copra alone.

Emergency aid (total value ECU 673.939) has been granted in the wake of six cyclones in the years between 1985 and 1993, and provided principally in the form of food rations and transport.

Finally, Vanuatu's forestry sector is benefiting from two projects - one (ECU 356 651), designed to encourage small-scale, sustainable forestry industry (sawmilling); the other (ECU 90.000) - based on Malakula - aims to identify activities and improvements in living conditions as an alternative for the island inhabitants to unsustainable large-scale logging operations involving tropical forests.

Community aid

Allocations in MECU

	Lomé I	Lomé II	Lomé III	Lomé IV	Total
National Indicative Programme	2.8	4.5	6.7	7.6	21.6
EIB loans risk capital		2.0	1.0	1.0	4.0
Stabex	0.7	8.9	19.3	2.6	31.5
Other emergency aid		0.1	0.6		0.7
- NGO projects				0.5	0.5
TOTAL	3.5	15.5	27.6	11.7	58.3

Western Samoa

BACKGROUND

Western Samoa comprises two main islands, Upolu and Sava'i, and seven small islands, with a total area of some 2 900 km² and an EEZ of 130 000 km². Its population is estimated at 160 000 (40 000 in the capital, Apia), with a further 100 000 or so Samoans living overseas (principally in New Zealand and the United States). As with many Pacific island countries, emigrants' remittances constitute an important source of income, and continuing emigration keeps the natural population growth rate (2.4% p.a.) to a net growth rate of 0.6% p.a.

Though its EEZ is relatively small, and there are no known mineral resources, the country is relatively well endowed with land suitable for agricultural and livestock production. Agriculture is the dominant sector of the economy, characterized by a substantial subsistence base which provides a livelihood for over 60% of the population. Together with forestry and fisheries, it accounts for some 40% of GDP, while manufacturing contributes 12%, public administration 16%, services and other activities 29% and tourism 4%. This last has considerable potential for expansion, given the country's natural beauty, its interesting Polynesian culture and the leisure activities it offers.

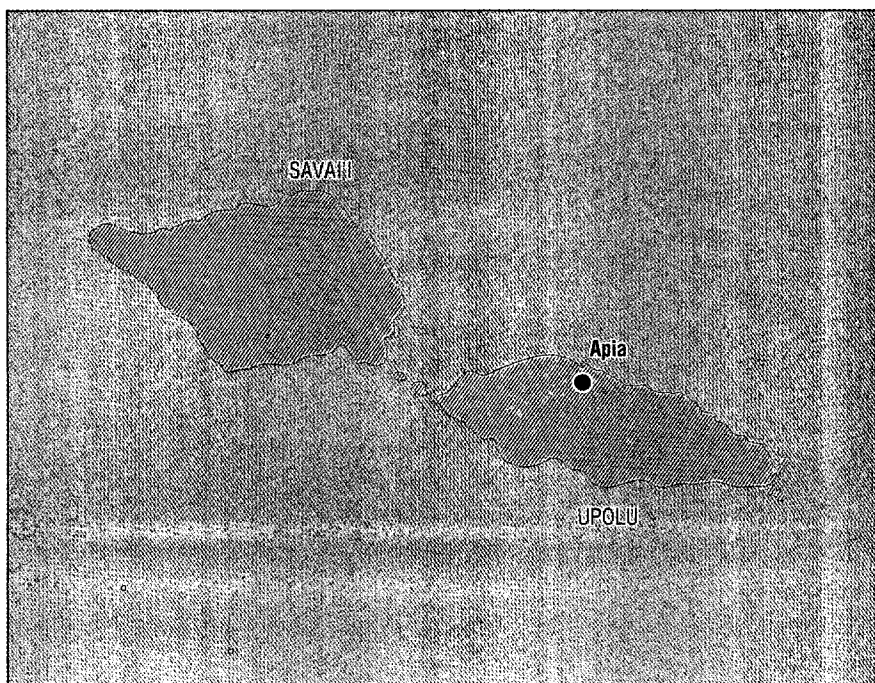
DEVELOPMENT COOPERATION

One of the first Pacific island states to become independent, Western Samoa's cooperation with the European Community began in 1975 with its accession to the Lomé Convention. From the start, the sector to benefit most from programmable funds (4.6 MECU under Lomé I and 6 MECU under Lomé II) was the energy sector, with the financing of the Samasoni Hydroelectric Scheme in the late 1970s and the Sauniatu Hydropower Scheme in the early 1980s. In parallel, a programme of microprojects was funded involving the development of poultry and pig farming and fisheries, covering 96 villages on the main islands, Upolu and Savai'i. A further ECU 890 000 was allocated to the Western Samoa Development Bank, in the form of a credit line, to increase the Bank's lending capacity. In addition, at a time when copra exports were still considerable, the Union financed storage and handling facilities for coconut oil and copra pellets (ECU 900 000).

In addition to programmable aid, Western Samoa received 12 Stabex transfers totalling 8.9 MECU for export losses on copra, wood, bananas and cocoa in the period 1975 - 84.

PROFILE

Date of independence : 01.06.1962
Total land area : 2 935 sq. km.
(9 islands, 4 inhabited)
EEZ : 3 558 200 sq. km.
Capital : Apia
Population : 162 000
Language : Samoan and English
Main exports :
GNP/head : 950
Currency : Tala
1 ECU = 3.2 Vatu
(Feb. 96)



Under Lomé III, the development of the country's substantial hydro-electric power potential continued, and Western Samoa began to make considerable steps towards self-sufficiency in energy needs. While in 1980 some 78% of the electricity generated came from diesel plants, by 1986 this percentage had dropped to 26%. The volume of petroleum imports for electricity generation dropped to 36% in the period 1982-86. With the building of the Afulilo Hydropower Plant (Lomés III and IV), these volumes have decreased further, with positive benefits in terms of foreign exchange savings. The Scheme (which was co-funded by the World Bank and the Asian Development Bank) involved the construction of a 10million cubic metre reservoir, a penstock, a powerhouse, and the installation of mechanical equipment and transmission lines, and has contributed substantially to the quality of electricity supply on the island of Upolu.

Additional work has been done with Lomé to compensate for losses in coconut oil and copra products, especially (due to cyclones Ofa and Val), but also for losses on exports of cocoa beans and of wood in the rough.

In addition to the above grant aid, the EIB has provided a total of some 9 MECU in risk capital in the years since 1981, the bulk of which was used in connection with the Sauniatu and Afulilo Hydropower Schemes.

A further total of ECU 660 896 has been allocated in emergency aid to Western Samoa, in 1983 after a serious fire on Savai'i, and in 1990 and 1991 after the disastrous cyclones Ofa and Val.

Community aid

Allocations in MECU

	Lomé I	Lomé II	Lomé III	Lomé IV	Total
National Indicative Programme	4.60	6.20	9.00	9.00	28.80
EIB loans : risk capital		3.30	4.20	1.50	9.00
Stabex	2.80	6.50	11.10	5.70	26.10
Other emergency aid		0.14	0.20	0.30	0.64
TOTAL	7.40	16.14	24.50	16.50	64.54

REGIONAL COOPERATION

BACKGROUND

The Pacific Region, composed of the eight island ACP States (Papua New Guinea, Solomon Islands, Vanuatu, Fiji, Tuvalu, Tonga, Western Samoa and Kiribati) and four Overseas Countries and Territories (New Caledonia, Wallis and Futuna, French Polynesia and Pitcairn), covers an extensive geographic area. For the Pacific ACP States (PACP), this area is bounded by longitudes 145° East and 150° West (7,000 km) and by the lines of latitude of the Equator and the Tropic of Capricorn (2,700 km). Including the Overseas Countries and Territories (OCTs), the distance from the western to the eastern boundaries is about 10,000 km. The total land area of all Pacific ACP States is 543,700 km². However, the total land area is just 4.5% of the Exclusive Economic Zones (EEZs) of these States (11,700,000 km²). For the OCTs, this proportion is even less: with some 23,200 km² (82% of which is accounted for New Caledonia) their total land area is just 0.3% of their total EEZ of 7,870,000 km².

Apart from the enormous distances separating the countries, the Pacific ACP States, by contrast with other ACP regions, do not represent a coherent entity in political, economic and cultural terms. The regional grouping came about as a result of loosely connected historic links. Even allowing for the OCTs, the group of Pacific countries and territories with special relations with the EU only numbers 12 countries out of a total of 25. Within the Pacific ACP region, one member state, PNG, is preponderant. About 70% of the PACP's total population (5.3 million) live there, while the smallest country, Tuvalu, numbers only 9,000 inhabitants. Again, PNG alone accounts for 88% of the total land surface. Between and even within the three basic ethnic and geographical groupings - Melanesia, Micronesia and Polynesia - ethnic and cultural differences are very numerous both from country to country and even within one country (there are more than 700 languages in PNG and 80 languages in Solomon Islands). GNP per capita ranged in 1993 from US \$ 2,130 for Fiji to US \$ 710 for Kiribati.

Like other small and isolated island economies, the long-term economic and social development of the PACP region is constrained by small and dispersed domestic markets, limited natural resources (with the exception of PNG), an undiversified production base, high infrastructural costs, heavy dependence

on external trade and extreme vulnerability to external economic shocks and to natural disasters. The fragmentation of the land mass, its remoteness and the dispersion of population create particular transport and communication problems. Internal and international transport costs are also high by virtue of distance from major markets and low traffic density. The exposure of the PACP region to high risk from natural disasters (cyclones in particular) causing destruction and death is another major constraint for economic development.

However, limited natural resources, remoteness from main markets, geographical dispersal, small-sized and fragmented domestic markets constitute at the same time strong arguments in favour of establishing and strengthening regional cooperation, since it is only by combining efforts that these small and remote countries may also benefit from developmental opportunities which would not be obtained on a purely national level. By acting on a regional basis significant economies of scale can be achieved (e.g. training, research); international agreements can be negotiated more efficiently (e.g. fisheries); distant markets can become accessible (e.g. tourism); and national policies may be developed and supported (e.g. energy).

Faced with these many and varied constraints to development, Pacific Insular Countries soon became aware of the crucial importance of joining forces in order to support individual and collective progress. As a result, a network of generally well organised and effective regional organisations was set up in order to promote further economic and social development. In the framework of its regional cooperation, the Commission keeps in close contact with these organisations. As the Pacific ACP countries are all members of these organisations, the latter very often act as implementing agencies and/or as mandated Regional Authorising Officers for the implementation of the EU's regional projects. Since the coming into operation of the Fourth Lomé Convention, the Forum Secretariat has acted as Regional Authorising Officer for the overall programming and identification phase of the regional programme and also implements several projects through its programme divisions. All these facilities have contributed greatly to the success of the EU's regional cooperation with the Pacific ACP States.

REGIONAL COOPERATION - AN OVERVIEW

Cooperation between the EC and the Pacific ACP States started in 1975 with the signatory states of the first Lomé Convention (Fiji, Tonga and Western Samoa) and has since enlarged, either when other countries and territories became independent during the lifetime of the First Convention (Solomon Islands, Papua New Guinea, Tuvalu and Kiribati) or at the beginning of the Second Convention (Vanuatu).

Resources earmarked for Regional Indicative Programmes (RIP) from Lomé I to Lomé III amounted to 10.5, 30.4, and 39.0 MECU respectively,

totalling some 80 MECU (an additional 12.1 MECU was also allocated from separate funds for the support of regional trade and tourism). Whereas the Lomé I RIP did not follow an explicitly stated sector orientation and the fields of operation were determined on an ad hoc basis as a result of perceived needs, sectoral focus was introduced under Lomé II and further developed under the Lomé III RIP in accordance with the constraints and assets of the region as set out above. Projects in the areas of (sea and air) transport and telecommunications concentrated on alleviating problems resulting from the area's huge distances as

Total Regional Cooperation with the Pacific ACP States by Sectors, commitments

(MECU)

	Lomé I		Lomé II		Lomé III		Lomé IV		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
A. COMMISSION										
1. Natural Resources										
1.1 Agriculture, Forestry and Rural Development	0,0		0,0		10.724,9		9.514,0		20.238,9	
1.2 Marine Resources										
1.2.1 Fisheries	355,0		436,9		6.018,5		9.677,0		16.487,4	
1.2.2. Mineral Resources	0,0		0,0		5.000,0		0,0		5.000,0	
<i>TOTAL</i>	<i>355,0</i>		<i>436,9</i>		<i>11.018,5</i>		<i>9.677,0</i>		<i>21.487,4</i>	
1.3 Energy	0,0		6.302,8		4.597,0		0,0		10.899,8	
TOTAL	355,0	3,4	6.739,7	23,3	26.340,4	60,8	19.191,0	52,2	52.626,1	44,0
2. Environment	0,0		0,0		48,1	0,1	1.705,0	4,6	1.753,1	1,5
3. Services										
3.1 Transport										
3.1.1 Sea	400,0		4.181,5		69,1				4.659,0	
3.1.2 Air	687,0		4.796,3		216,9		60,4		5.773,3	
<i>TOTAL</i>	<i>1.087,0</i>		<i>8.977,8</i>		<i>286,0</i>		<i>60,4</i>		<i>10.432,3</i>	
3.2. Telecommunications	5.814,6		8.145,3		5.550,0		0,0		19.509,9	
3.3 Tourism	0,0		3.516,7		7.400,0		9.922,0		20.838,7	
TOTAL	6.901,6	65,7	20.639,8	71,4	13.236,0	30,5	9.982,4	27,2	50.759,8	42,5
4. Trade Development	0,0		356,7	1,2	1.821,0	4,2	642,0	1,7	2.819,7	2,4
5. Human Resource Development	3.252,0	30,9	1.155,7	4,0	0,0		3.074,7	8,4	7.482,4	6,3
6. Miscellaneous	0,0		0,0		1.899,6	4,4	1.536,1	4,2	3.435,7	2,9
7. All ACP Reg. Cooperation							610,0		610,0	
TOTAL	10.508,6	100,0	28.891,9	100,0	43.345,1	100,0	36.741,2	100,0	119.486,8	100,0
B. EIB	0,0		4.524,5		0,0		0,0		4.524,5	
TOTAL COOPERATION	10.508,6		33.416,4		43.345,1		36.741,2		124.011,3	

to make the most of the assets of the region, the sectors benefitting from comparative advantage, i.e. natural resources (agriculture, fisheries) and trade and, more importantly, tourism, have been supported, the latter also from resources additional to the RIP (total 10.9 MECU). The RIP under the first Protocol of Lomé IV (1991-1995, 35 MCU, plus 3.4 MECU for trade promotion and tourism) continued with the principle of this double strategy - to alleviate the impact of natural constraints, and to support sectors of comparative advantage - while identifying and addressing new needs, i.e. the development of environment and human resources.

On an overall basis, as shown in the table above, EU regional support (commitments; funds from regional indicative programmes plus additional funds in support of measures for the development of trade) has concentrated fairly evenly on two broad sectors: firstly the development and improved exploitation of natural resources, in particular fisheries and energy; and secondly services, i.e. transport (both sea and air), telecommunications and tourism. With some shifts of emphasis, it can be expected that this broad orientation may be maintained; however, the new themes that have emerged during the first five year period of Lomé IV will require more attention than in the past.

REGIONAL COOPERATION BY MAIN SECTORS

1. Agriculture and rural development

In all Pacific ACP States, the vast majority of the population lives in rural areas where subsistence agriculture provides the mainstay of household resources in terms of food supply and cash income. At national level, the rural sector still contributes a large proportion to GNP (30%), export revenues (50%) and employment (60%).

Consequently, the priority given to agricultural and rural development in most of the National Indicative Programmes reflects the will to place the majority of the population at the heart of development strategies. In order to support these efforts on a national level, agricultural research and extension, and plant protection are particularly appropriate issues for regional cooperation.

1.1. Under Lomé III, a Pacific Regional Agricultural Programme was set up (7.46 MECU) with the broad objective of acting as a bridge between existing and intended research work and its practical applications. The purpose of the programme was to improve and disseminate food crops and agricultural techniques throughout the Pacific ACP States, with a view to stimulating food production, improving the nutritional quality and range of the local diet and increasing food self-sufficiency. The overall programme for this project was defined with the help of the Department of Agriculture in each country to ensure that the components covered their real needs. Thus, the Programme consisted of 10 projects, including practical trials on the

integrated growth of certain food crops (farming systems), the introduction of improved varieties for cash crops (coconut cultivars) and food crops (vegetables, pulses, sweet potato cultivars), pest control (identification of natural agents to fight taro beetle, screening and cleaning of plant tissue), and improved local feedstuffs for livestock. In order to support national agricultural statistical analysis and to measure the quality and presentation of the research projects, a biometric service has been attached to the programme.

In late 1992, the programme was evaluated after three years of implementation. The report concluded that the programme had made good progress and that the research projects had reached a number of useful results. However, it was found that most of the projects would not be fully able to complete their work within the foreseen five years.

On this basis, a second phase of the Programme was set up under Lomé IV (four years, 9.265 MECU). On the whole, this second phase, which comprises 11 projects, can be understood as a double reorientation of phase 1. First and most important, while the first phase was strongly orientated towards research, the emphasis of the second phase will be (while finalising the research activities) to improve the technology transfer from researchers to farmers in rural areas. To do so, an information service will be introduced and considerable strengthening of training and

extension, supported by a new project aiming at identifying farmers' specific needs and attitudes and the most effective ways to integrate them into the development process of new technologies will be funded. Secondly, one project under phase 1 (livestock feeds) has been closed, some other projects have been rearranged (farming systems).

1.2. In order to prevent the introduction of new pests and to fight existing ones, questions of plant protection and quarantine are issues of common interest to all the insular countries in the Pacific. While some activities relating to policy and legal advice, research, information and training are more economically implemented on a regional basis, actual protection measures have to be executed at national level. The Lomé III three-year Pacific Plant Protection Project (2.75 MECU) focuses on measures to enable Pacific ACP countries' national plant protection services gradually to take over most of the activities relating to plant protection hitherto undertaken by the South Pacific Commission by strengthening their human and technical resource base (technical assistance, training, equipment). It is interesting to note that for the sake of a complete regional coverage, Pacific Overseas Countries and Territories of two EU member states have been associated to this programme (0.2 MECU), while the South Pacific Commission will cover the cost for other Pacific Island Countries.

2. Marine Resources

Marine resources - fish and minerals - are the region's most important physical asset for economic development. All South Pacific Forum Countries have declared 200-mile Exclusive Economic Zones. The marine environment thus plays a fundamental role in the economies of the Pacific Insular Countries. However, to possess enormous marine resources is one thing, to exploit them sustainably is another.

The geographical particularities of a problem of common concern, the migratory nature of the most important commercial fisheries assets - tuna - the need to combine forces when negotiating with the powerful Distant Water Fishing Nations (DWFN) from the Pacific Rim and the continued need for qualified manpower have all led the Pacific Insular Countries to adopt a regional approach to marine resource research and management.

a. Under Lomé I and II, regional funds helped to build the Headquarters of FFA in Honiara.

b. Both institutions FFA and SPC received support from the EU under the five-year Lomé III **Pacific Regional Marine Resource Development Programme**.

The FFA element (2.35 MECU) of this programme comprised, apart from technical assistance, three components:

- the regional tuna fisheries information service, which set up a regional satellite-based communication system facilitating the collection and exchange of data on the DWFN activities in the FFA member states' EEZs;
- the building of a conference centre at the FFA;
- the assistance in the delimitation of maritime zones providing FFA member states with all necessary information for the definition and negotiation of maritime boundaries.

Under the same programme, the SPC received 3.5 MECU in support of its regional tuna tagging project, which is designed to provide the first

scientific assessment of tuna stocks by species (estimates of population parameters, movements, interactions between tuna fisheries) in order to define ground rules for the sustainable management of tuna resources in the South West of the tropical Pacific.

This project was also supported by some 1.2 MECU from regional cooperation with the Pacific OCTs.

c. Under Lomé IV, progress achieved by the SPC on investigatory work on tuna stocks is being deepened and widened in particular in order to consolidate the stock assessment of individual tuna species. The **South Pacific Regional Tuna Resource Assessment and Monitoring Project** includes:

- maintenance and development of a comprehensive statistical tuna database;
- tuna stock assessment and modelling;
- small-scale operational-orientated field and laboratory-based biological research.

Its duration is five years. The EU contributes to the total cost of 8.435 MECU to the extent of 5.0 MECU.

This approach has been supported by the EC since the coming into operation of the First Lomé Convention. EC support concentrated on the two main maritime resources - fisheries and minerals.

2.1 Tuna constitutes the most important renewable resource for the Pacific Insular Countries, including the eight Pacific ACP States in the region. Recent total tuna catches are estimated at 1.2 million tonnes, with a landed value of around 1,700 MECU. On the basis of bilateral or multilateral access agreements, the overwhelming majority of the catch (95%) is made by foreign fishing vessels of DWFN (in particular Japan, USA, Korea and Taiwan), and the island countries have difficulty in developing and organising the optimal exploitation of the resource (financial return, preservation of stocks).

Thus, monitoring and surveillance of the operations of the Foreign Fishing Vessels' activities are of crucial importance to increase and sustain the economic benefits from tuna resources.

Two regional institutions in the South Pacific assume complementary responsibilities for the long-term sustainable exploitation of the tuna resources in the South Pacific on behalf of their member states: the South Pacific Commission (SPC) provides data on tuna resource assessment, which are used by the Forum Fisheries Agency (FFA) within its mandate from Forum Member States for surveillance of foreign fishing activity and sustainable management of the resources.

2.2 As far as nearshore and offshore seabed mineral resources are concerned, the EC, in the framework of the Lomé III **Pacific Regional Marine Resources Development Programme**, provided technical assistance and equipment to the South Pacific Applied Geoscience Commission. In addition, important research work was done and interesting results for the fisheries (sea mountains) and minerals sectors (hydrocarbons, polymetallic nodules) were achieved in a seabed mapping programme covering selected areas of the sea floor in the EEZs of Solomon Islands, Vanuatu, Fiji and Tuvalu.

Certainly, the findings of this deep-sea exploitation will not provide immediately exploitable opportunities in the short term. However, they do provide clear indications as to the existence, the location, the quantity and quality of the resources and will enable the States concerned to engage in and carry out profitable negotiations for the exploitation when the appropriate time has come.

3. Energy

The provision of cost effective, reliable and environmentally-friendly energy supplies is a precondition to the economic growth of the Pacific Islands. These, however, share a heavy dependence on imported fuel, which accounts for 45% of commercial energy consumption on average, whilst at the same time their isolation means that fuel costs are relatively high. Indigenous energy resources include, in the case of the mountainous islands, good biomass cover and hydroenergy, whereas the atoll countries have solar energy potential and some wind resources. The common development of energy sources, human resource development in the energy sector and the design of energy policies are issues which can best be dealt with at regional level.

3.1 The Lomé II Pacific Regional Energy Programme (6.19 MECU, initially foreseen for two years) had two main objectives: reducing the dependence of the Pacific ACP States on petroleum imports through the promotion and use of imported technologies which would harness indigenous renewable energy resources, and assessing these technologies in terms of their technical and economic suitability in the region. The original programme, consisting of 22 pilot and demonstration units ranging from ethanol to wind,

from biomass to minihydro and wave assessments, spread over all Pacific ACP States.

The project was unfortunately unsuccessful in many ways: only the solar photovoltaic technologies (Fiji, Kiribati, Tonga, Tuvalu) and measures in energy conservation (Kiribati, Western Samoa) produced a positive impact on the energy sector of the countries concerned. An ex-post evaluation concluded that the programme was in the first instance an institutional, not a technical failure, even if it turned out that most of the pilot hardware projects were by their nature complex and usually difficult to design, install, operate, monitor and evaluate.

3.2 On the basis of this rather unhappy, but nevertheless instructive experience, the second phase of the Pacific Regional Energy Programme (4.4 MECU, four years) introduced an entirely different approach. Instead of providing new technologies, it adopts the strategy of improving the management of the resources available by a combination of efforts in the fields of the national energy policy formulation, the transformation of power utilities into managerially and financially autonomous bodies and the upgrading of administrative and technical skills of staff at all levels.

4. Transport and communications

The huge distances separating the countries, which themselves very often stretch over enormous distances (eg. Kiribati, Tuvalu), imply not only huge transport costs, but constitute an important barrier against working with the world. Tourism, trade, traffic security and the broadening of the flow of information of all kinds depend on measures to overcome or at least to soften the impact of what has often been called the "tyranny of distance". As a common problem, sea and air transport and the provision of modern telecommunications equipment has always been a sector of concentration for regional cooperation with the Pacific.

4.1 Telecommunications were in fact the focus of the beginnings of regional cooperation. In the early times of Lomé I and II, Fiji, Tonga, PNG, Kiribati and Tuvalu were equipped with telephone/telex/telegraphic services, earth satellite stations and HF radio services. Under Lomé III, a 5.55 MECU programme provided in a first component coastal radio stations in Solomon Islands and Tonga. (Maritime radio stations are of vital importance for the island populations who depend heavily on fishing for their livelihood). The radio stations improve ship/shore communications and increase navigational safety, as lack of information on weather conditions used to cause loss of life among fishermen. The second component of the project provided for the installation of an earth satellite station in one of the remote parts of Kiribati (Christmas Islands) and the upgrading of the Western Samoan earth satellite station. The installations on Christmas Islands have not only greatly reduced the isolation of these islands (situated some 3,000 km from the main island, Tarawa), but have also improved the telecommunications links to the whole region of the central South Pacific. The primarily commercially used Western Samoan component was financed as a special loan (2.7 MECU).

4.2 The geographical features of the region also make civil aviation a sector of prime importance to its development. Under the first Lomé Convention the EC funded a small project in Tonga. Under Lomé II, 4.6 MECU of regional funds were devoted to the Pacific Regional Civil Air Communications Project (duration initially foreseen for four and a half years) which related to the international airports of Fiji, Tonga, Tuvalu and Vanuatu. The purpose of the project was to improve airport efficiency and flight security by upgrading infrastructure, providing communications and maintenance equipment and consultancy services. Since during the implementation of the Lomé II programme a number of components originally foreseen had to be deferred, due to cost overruns, and other urgent needs of the Pacific ACP States could not be covered, a second phase (4.9 MECU) of the project is currently under consideration for financing from combined Lomé III and IV funds.

4.3 Whereas air transport is certainly the quickest and most popular means of transporting people and goods, sea transport will remain the backbone of transport in the South Pacific and is of vital interest for the more remote islands. A major company in the area is the Pacific Forum Line (PFL), a regional venture set up by the governments of ten South Pacific countries in 1977 for the purpose of operating shipping services which are viable and meet the special requirements of the region. Regional EDF funding has been made available since Lomé I and in particular under Lomé II. For an overall amount of 4.58 MECU, about 250 integral containers were purchased. In addition, the EIB provided an amount of 4.5 MECU as risk capital to six Pacific ACP States in order to enable these countries to increase their equity participation in the PFL. This finance enabled PFL to acquire containers which had until then been leased. Remarkably, this project constitutes the only regional funding operation managed by the European Investment Bank.

5. Tourism

Tourism is generally considered the most important means of the Pacific region to generate economic activity and employment and to earn foreign exchange. Attracted by the climate, the beautiful surroundings, the varied culture and the special appeal of the South Seas, an increasing number of tourists, from Australia, New Zealand, Japan, North America and Europe visit the Pacific ACP States and the French Overseas Countries and Territories (French Polynesia, New Caledonia). As cultural identity and environmental protection are high ranking values in the Pacific society, Pacific ACP States have adopted a cautious approach to the expansion of tourism.

Since tourism marketing and planning, manpower development and statistical services and assessments are carried out more effectively on a regional level, the EC has, since Lomé II, supported regional cooperation aiming at the development of the tourism sector in the Pacific ACP region by means of an integrated programme (total amount of 20.8 MECU).

Phase I of the programme (3.5 MECU, two years) started in mid-1986 and was crucial in successfully establishing the Tourism Council of the South Pacific (TCSP) as a regional intergovernmental organisation with 13 members, including the eight Pacific ACP States and the two French OCTs (French Polynesia and New Caledonia). A permanent secretariat with four operating Divisions was set up to manage, together with appropriate TA, the project activities, namely

1. marketing and promotion of the Pacific as a destination (including attendance at European tourism fairs, documentary films, brochures etc.),
2. research, planning and pilot projects aiming in particular at developing methods of strengthening the linkages between tourism and the development of local productive activities (agriculture, handicrafts, construction, development of natural sites),
3. documentation, statistics and data bases in order to establish a regional data base and improve ability to undertake economic impact studies and,
4. education and training, delivering courses aimed at the upgrading of the capacities of individuals and institutions directly involved in tourism.

On the basis of the achievements of phase I, and in particular the setting up of the basic structures, phase II of the programme (7.4 MECU, four years) started in February 1989 with the objective of consolidating the establishment of the TCSP and helping to extend the promotion of the South Pacific as a tourism destination. The activities started under the first phase were consolidated and somewhat altered in light of experience gained. Thus, more emphasis has been placed on assisting the reinforcement of the National Tourism Offices. Under the tourism planning and development component, increased efforts were made to identify tourist attractions, elaborate planning tools (investor's guide) and to identify possibilities of improving air transport; a contracted representation in Europe was established and in-depth economic impact studies were implemented on the basis of the ongoing statistical research activities in order to evaluate the economic returns and the effects of tourism on the economic development of the member countries of the TCSP.

The third phase of the programme (four years, 11.53 MECU, including an amount of 1.63 MECU for the association of French OCTs to the

programme) started in mid-1994. Since this is the last phase, its main objective is to achieve a moderate increase in tourist arrivals and to make sure that the development of tourism in the South Pacific is continued by the TCSP without external support (institutional and financial sustainability). In order to achieve this objective, a major marketing programme in Europe and North America has been added to the TCSP's activities. Under the planning and development activities, the idea of linking tourism to other sectors has been dropped, as the pilot projects did not produce conclusive results; tourism masterplans and other studies, covering inter alia environmental and socio-cultural impact assessments will be undertaken.

Since the beginning of the programme in 1986, the number of arrivals in the member states of the TCSP grew from 619,000 to 817,700 (1995), i.e. an average growth rate of 2.8% per year. Correspondingly, the receipts from tourism rose by 7.6% per year. It is of course difficult to demonstrate the share of the EU funded programme in this increase, but one may assume that it is significant.

6. Trade development

Developing trade with the outside world - the countries of the Pacific Rim and Europe in particular - is of crucial importance to the Pacific insular economies. However, as these economies are more or less small, this objective is best pursued by combining forces on a regional level.

A first step in this direction was taken under Lomé II in 1984 with the establishment of the Pacific Islands Association of Chambers of Commerce (PIACC). Under Lomé III, this operation was intended to be consolidated by a more substantial programme (0.8 MECU). In 1990, some redirection of this programme was decided and it is now targeted more as a direct support of the National Chambers of Commerce and other similar private sector organisations.

A total amount of 1.02 MECU was made available under Lomé III in order to support a 'Pacific Village' of the Pacific ACP States in the Expo '92 in Seville, Spain. In the framework of this project, Pacific ACP States gave a joint presentation depicting both traditional and contemporary aspects of cultural, social and economic life. In addition, a business promotion programme was implemented.

Finally, a study was undertaken under the fourth Lomé Convention in order to identify a common trade development strategy and programme. The results of this study were discussed in a workshop held in 1995 and will form the basis for further activities in the field of the development of trade and the promotion of the private sector under the Second Protocol of Lomé IV.

REGIONAL ORGANISATIONS IN THE SOUTH PACIFIC

THE SOUTH PACIFIC FORUM

The Forum is an annual gathering of the heads of Government of the independent and self-governing countries of the South Pacific. Established in 1971, it resulted from the desire of the independent countries of the region to tackle common issues from a regional perspective, and to enhance their collective regional voice so as to give their views greater weight in the international community. They also recognised that a concerted approach would increase their ability to address shared problems of economic development.

The Forum's membership has increased steadily since 1971 from the seven founding members (New Zealand, Australia, Cook Islands, Fiji, Nauru, Tonga and Western Samoa) to 16, with the admission to membership of Niue, Papua New Guinea, Kiribati, Tuvalu, Vanuatu, Solomon Islands, Republic of the Marshall Islands, the Federated States of Micronesia and most recently (September 1995) Palau.

In its method of operation the Forum reflects many of the traditions of the region. Decisions are reached by consensus.

In recent years the Forum's stature as the principal channel by which South Pacific countries express their collective views on international issues and maintain contact with countries and organisations outside the region has been increasingly recognised. Following its 1994 meeting the Forum obtained observer status at the United Nations. The growing recognition of the Forum's international role is also reflected in the development, since 1988, of an annual post-Forum dialogue with selected non-regional parties. By 1995, with the admission of the Republic of Korea, this had grown to eight parties (Canada, China, the European Union, France, Japan, Korea, the United Kingdom and the United States).

The Forum Secretariat

The Forum Secretariat is an intergovernmental regional organisation established in 1972 by the Forum. Originally known as the South Pacific Bureau for Economic Cooperation, it was renamed the Forum Secretariat in 1988. It is located in Suva and acts not only as a secretariat for all Forum-related meetings but also as a means of delivering development assistance and support to Forum island countries in key economic sectors.

The Secretariat's overall objective is to service the annual Heads of Government meeting and to foster and promote South Pacific regional cooperation, particularly on economic and trade matters, as directed by the Forum. It acts as the Forum's administrative arm, implementing its decisions and responding to the needs of its members.

The original seven signatories have since been joined by Niue, Papua New Guinea, Kiribati, Solomon Islands, Tuvalu, Vanuatu, Federated States of Micronesia, the Republic of the Marshall Islands and Palau.

The 1991 Forum declared "the purpose of the Secretariat is to facilitate, develop and maintain co-operation and consultation between member governments on economic development, trade, transport, tourism, energy, telecommunications, legal, political, security and such other matters as the Forum may direct".

In order to fulfil this mandate, the Secretariat has been given the following structure:

- Programme Divisions, composed of an Energy Division, a Telecommunications Division, a Trade and Investment Division, a Maritime Division and a Civil Aviation Division.
- Service Divisions, composed of an Economic Development Division, a Legal and Political Division, an Information and Publications Unit, a Management Services Division and a Finance Division.

A major review was carried out during 1995, and was approved for implementation by the 1995 Forum in Madang. This led to substantial changes to the current structure and functions. As a broad principle the Secretariat will focus much more closely on its basic role of providing economic and political support to the Forum and its members, and will phase out many of the technical functions now performed by the programme divisions. The existing programme divisions will disappear, while the present service divisions will be strengthened to meet increased responsibilities in such fields as economics, trade, international relations and law.

Since 1990 the Secretary-General has represented the Forum island countries at meetings of the Asia/Pacific Economic Co-operation (APEC) process, in which he has been granted observer status.

The Forum's Specialised Agencies

1. FORUM FISHERIES AGENCY (FFA)

The Forum Fisheries Agency came into being in 1979 with the drawing up of a convention to which the then 12 (now 16) members of the South Pacific Forum acceded. The organisation reflects members' common interest in deriving maximum economic benefit from their extensive marine resources, and recognises the severe development constraints imposed on most of them by small size, lack of land-based resources and distance from major markets.

The FFA's functions include providing technical assistance to members in the development of fisheries management policies and in negotiations on the issue of licences, collection of fees, and surveillance of zones; collecting and disseminating relevant information on prices, shipping, processing and marketing of fish and fish products; focusing on management procedures, legislation and agreements adopted by other countries within and outside the region.

Recently, questions of sustainable exploitation and fair returns to coastal states received a new impetus as a result of discussions at the 1994 Brisbane Forum on the theme of regional resource management, and also of the conclusion of a draft convention in August 1995 by the United Nations Conference on Straddling Fish Stocks and Highly Migratory Fish Stocks. The FFA plays a leading role in the region's efforts to develop strategies for the sustainable management of its tuna stocks, in accordance with the decisions of the United Nations Conference.

The FFA is based in Honiara in the Solomon Islands and has a staff of 20 professional experts and about 20 support personnel.

2. SOUTH PACIFIC REGIONAL ENVIRONMENT PROGRAMME (SPREP)

The South Pacific Regional Environment Programme was initiated within the South Pacific Commission in 1974 and was formally launched in 1980 by the Port Moresby Forum Declaration on Environment Management.

The central purpose of SPREP is to assist South Pacific countries and territories in protecting and improving their shared environment and managing their resources to enhance the quality of life for present and future generations.

This translates into its Programme of Action covering, inter alia: the conservation and protection of the high level of biological diversity and the promotion of the ecologically sustainable use of the region's biological resources; the management of and planning for ecologically sustainable development and conservation of coastal areas, habitats and resources; the promotion of sustainable activities such as the development of national Environmental Management Strategies; the development of implementation of a regional programme to assist members in understanding

global climate change and avoiding the potentially adverse effects of such change; the prevention and management of pollution, including assistance with planning for pollution emergencies.

SPREP is based in Apia, Western Samoa. Its members are Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Papua New Guinea, Tokelau, Tuvalu, Western Samoa.

3. SOUTH PACIFIC APPLIED GEOSCIENCE COMMISSION (SOPAC)

The South Pacific Applied Geoscience Commission, based in Suva, was established in 1972 as a United Nations project.

Its objectives are to assist in the assessment, exploration and development of mineral and other non-living resources in the marine jurisdictions pronounced under the 1982 United Nations Convention on the Law of the Sea (UNCLOS). Its work includes providing information on the physical environment of coastal and nearshore areas in the region; investigating the resource potential of coast and deep-sea minerals; assessing and promoting the hydrocarbon and wave energy potential of the region; coordinating marine geological and geophysical research and training.

4. UNIVERSITY OF THE SOUTH PACIFIC (USP)

The University of the South Pacific was established in 1968 in response to the region's need for a form of higher education and training appropriate to South Pacific requirements, sensitive to diverse island cultures and relevant to the social and political aspirations of its member countries (Cook Islands, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu Western Samoa).

USP's main premises are located near Suva and it has two more campuses. Western Samoa (Alafua) hosts the School of Tropical Agriculture, while the Vanuatu campus is host to the Pacific Law Unit and the Pacific Languages Unit.

In 1994 there were about 8,000 students, full and part-time, on and off campus, enrolled at the USP. They undertook courses at the Schools of Agriculture, Humanities, Pure and Applied Sciences, and Social and Economic Development and the Institutes of Education, Marine Resources, Natural Resources, Pacific Studies, Agricultural Research, Rural Development, and Social and Administrative Studies. An estimated 2,200 persons attended workshops and seminars organised by the Institutes, and more than 10,000 participated in Continuing Education activities. There were 366 senior staff of whom some 65% came from within the region.

SOUTH PACIFIC COMMISSION (SPC)

The South Pacific Commission was established on 6 February 1947 under the Canberra Agreement signed by New Zealand, Australia, France, the Netherlands, the United Kingdom and the United States. Subsequent changes to the SPC's membership have seen the withdrawal of the Netherlands. Later additions have included all the territories and islands of the South Pacific, bringing the total membership to 27. The United Kingdom ceased to be a member at the end of 1995, but continues to represent its overseas territory, Pitcairn.

The SPC is a non-political organisation, and confines itself to advisory and consultative activities aimed at encouraging and promoting the economic and social development of the region. Its objectives are, inter alia: developing the concept of regionalism; helping to meet the basic needs of the island peoples; developing regional resources whose scale puts them beyond the capacity of the individual island governments; attracting and coordinating aid resources, including those from outside the SPC membership; and acting as a centre for the collection, holding and dissemination of information on regional development matters.

SPC's work programme consists of five main sectors: agriculture, marine resources, health, socio-economic and statistical services and community education. Activities in each of these sectors include expert consultancies, training, cultural exchanges and research. The SPC Secretariat is based in Noumea (New Caledonia) and has about 100 professional staff drawn from member countries.

SOUTH PACIFIC ORGANISATIONS COORDINATING COMMITTEE

The Forum and its Secretariat maintain strong links with all other major regional organisations in the South Pacific, with the aim of extending cooperation and harmonising work programmes. The focus of this network is the annual meeting of the South Pacific Organisations Coordinating Committee (SPOCC), whose membership includes the Forum Fisheries Agency (FFA), the South Pacific Regional Environment Programme (SPREP), the South Pacific Applied Geoscience Commission (SOPAC), the Pacific Islands Development Programme (PIDP), the Tourism Council of the South Pacific (TCSP), the University of the South Pacific (USP) and the South Pacific Commission (SPC), as well as the Forum Secretariat.

COOPERATION WITH OVERSEAS COUNTRIES AND TERRITORIES

Since its foundation the EC has provided assistance to the "overseas countries and territories" (OCTs) for which certain of its member states have responsibility. In the Pacific there are three such territories under French administration: New Caledonia, French Polynesia and Wallis and Futuna. There is also one territory under British administration: Pitcairn, to which the UK, however, has not allocated EDF funds earmarked for the British OCT.

The three French territories have small populations - New Caledonia has 165,000 inhabitants, Wallis and Futuna 14,000 and French Polynesia 200,000 - and economies heavily dependent on transfers from metropolitan France. New Caledonia, where the economy is dominated by the nickel industry, has the highest level of import cover; this was, however, only about 45% in the three years to 1994. Wallis and Futuna is still essentially a subsistence economy, with very

little modern economic activity, and dependent on French funding of infrastructure and recurrent expenditure. French Polynesia's economy has been transformed by French transfers over 30 years linked to French nuclear and military activities in the Territory. With the ending of these activities and the associated transfers, and a huge trade imbalance (import cover at 15% in 1994), the Territory is planning, with French aid, to restructure its economy and develop its economic potential over the next ten years.

Like the ACP states, the OCTs receive individual and regional allocations from the European Development Fund and are also entitled to non-programmable aid such as Stabex transfers or emergency aid, if necessary. Allocations from the last four EDFs and loans from the European Investment Bank are summarised in the table, while the text contains a brief outline of project aid.

New Caledonia

In the past the European Union's development programme has contributed to sectors such as agriculture, transport, energy and training. Under the 7th EDF indicative programme (12.5 MECU) assistance is being given to the development of economic and social infrastructure, the development of human resources and to economic diversification. This assistance is taking the form of the funding of part of the works for the construction of the Koné-Tiwaka transinsular road in the Northern province, the construction of school buildings in the

Islands province and the reconstruction of Nouméa Aquarium in the Southern province.

In addition a number of other activities benefitting the development of human resources are being carried out; these include support to the business school run by the Chamber of Commerce and to vocational training. New Caledonia will also benefit from Sysmin, the special mining facility set up for those OCT (and ACP countries) whose mining sectors occupy an important place in their economies.

French Polynesia

Assistance from the 7th EDF (13.1 MECU) is concentrated first on marine biological resources, with continued support to the black pearl industry, the Territory's major export earner, and to the development of a tuna fishing fleet, and secondly on the environment, the

preservation of which is essential for the maintenance and development of tourism, from which the Territory also derives significant earnings. In the latter sector a large urban sewerage project for the island of Tahiti is currently being prepared.

Wallis & Futuna

Infrastructure projects have absorbed the greater part of EDF funds for Wallis and Futuna. Past projects have included a wharf extension in Wallis, the electrification of Futuna and roadworks. The 7th EDF indicative programme concentrates

most of the resources available (4.6 MECU) on the development of economic infrastructure. Various road improvement projects are under way; support may also be given to electricity generation on Futuna and to wharf improvement on Wallis.

Community aid

Allocations in MECU

Territorial programmes		EDF 4	EDF 5	EDF 6	EDF 7	Total
New Caledonia		3.30	7.30	7.85	12.50	30.95
Wallis and Futuna		2.40	2.50	3.75	4.60	13.25
French Polynesia		3.10	6.40	8.25	13.10	30.85
Regional programmes			1.10	4.10	5.40	10.60
Stabex (French Polynesia)				3.92	0.93	4.85
Sysmin (New Caledonia)				0.80	0.02	0.82
Emergency aid : New Caledonia			0.09	0.25	0.34	
Wallis and Futuna				0.10	0.10	
EIB loans :	New Caledonia : - risk capital		1.00	3.00	6.00	10.00
	- own resources	7.00			4.00	11.00
	French Polynesia : - risk capital	0.85	1.50	3.00	5.00	10.35
	- own resources		4.00	7.00	5.00	16.00
Interest rate subsidies (total for French Pacific OCTs)			2.02	0.87	2.18	5.07
GRAND TOTAL						144.18