



DEVELOPMENT

The South Pacific and the European Union



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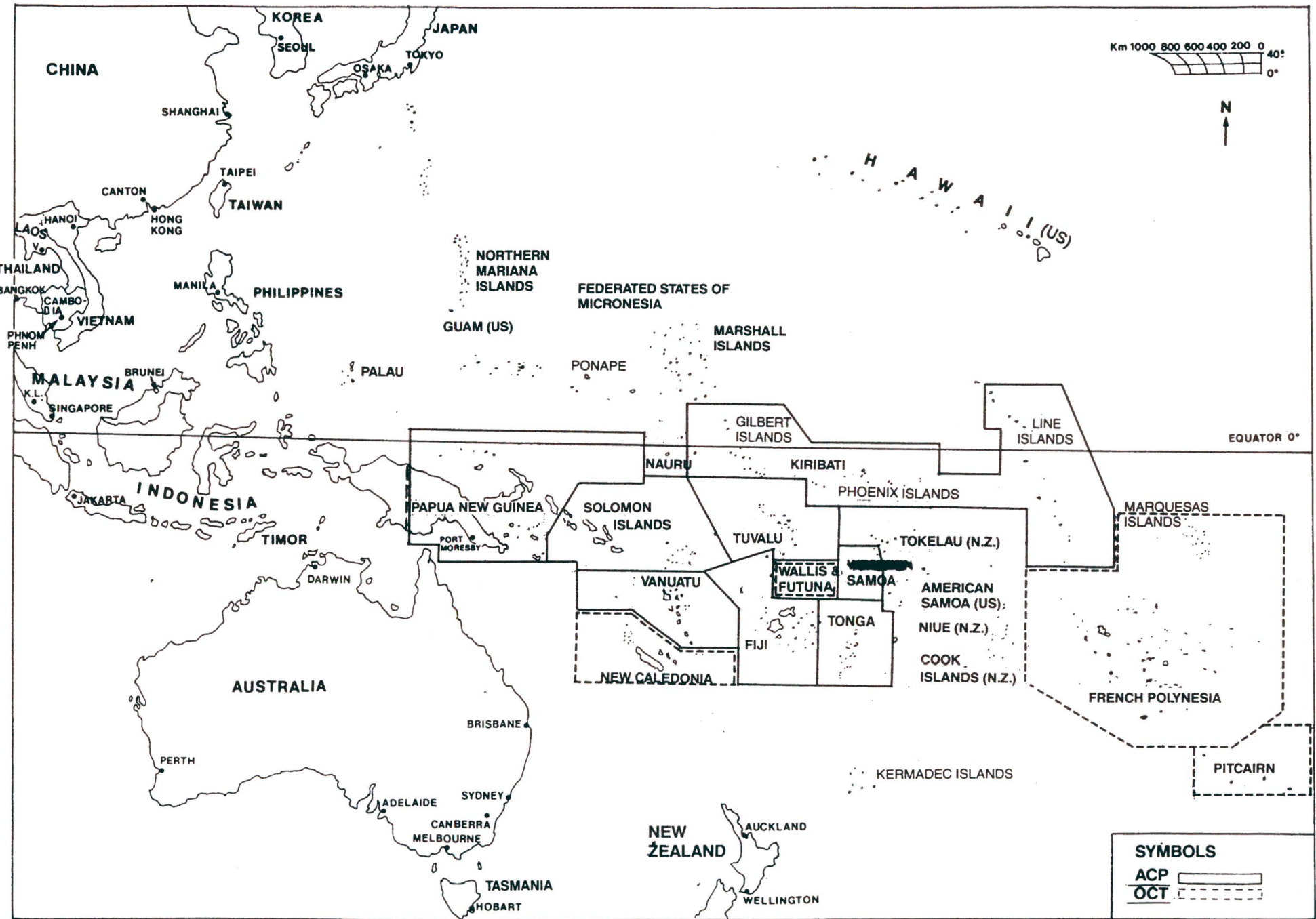
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ACP COUNTRIES AND OCTS IN THE SOUTH PACIFIC



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 merchants and planters, then missionaries and finally the administrators of the colonial era, which was to last for nearly 100 years.

The gigantic upheaval of the Second World War hastened the end of the old order; and in post-war 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 the Philippines and Indonesia, independent Pacific Island countries, some of which still maintain special relations with the United States of America or New Zealand, and some French and British overseas countries and territories.

In 1975, the Community signed an overall cooperation agreement — the Lomé Convention — with a

group of independent African, Caribbean and Pacific (ACP) countries which included Fiji, Tonga and the then Western Samoa. Over the next five years, Papua New Guinea, the Solomon Islands, Tuvalu, Kiribati and Vanuatu signed the Convention on becoming independent, and joined the ACP Group in their turn.

| | European Union | Pacific ACP States |
|------------------------------------|---|---|
| Countries | 15 | 8 |
| Population | 373 700 000 | 5 991 000 |
| Land area | 3 200 000 km ² | 526 550 km ² (EEZ area 11 730 000 km ²) |
| Average GNP per capita, 1998 (USD) | 21 800 | 1 248 |
| 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 what has become the 15 Member State European Union (EU).

On the trade side, the Union continues to be an important market for certain of the Pacific ACP States' (PACPs) exports (which are dominated by Papua New Guinea's exports), though its share is declining. Overall, the trade balance is very much in the PACPs' favour. Special arrangements for sugar (through

the sugar protocol arrangements) and compensation for losses on exports of other commodities (through the Stabex scheme) have significantly helped Pacific trade balances over the years.

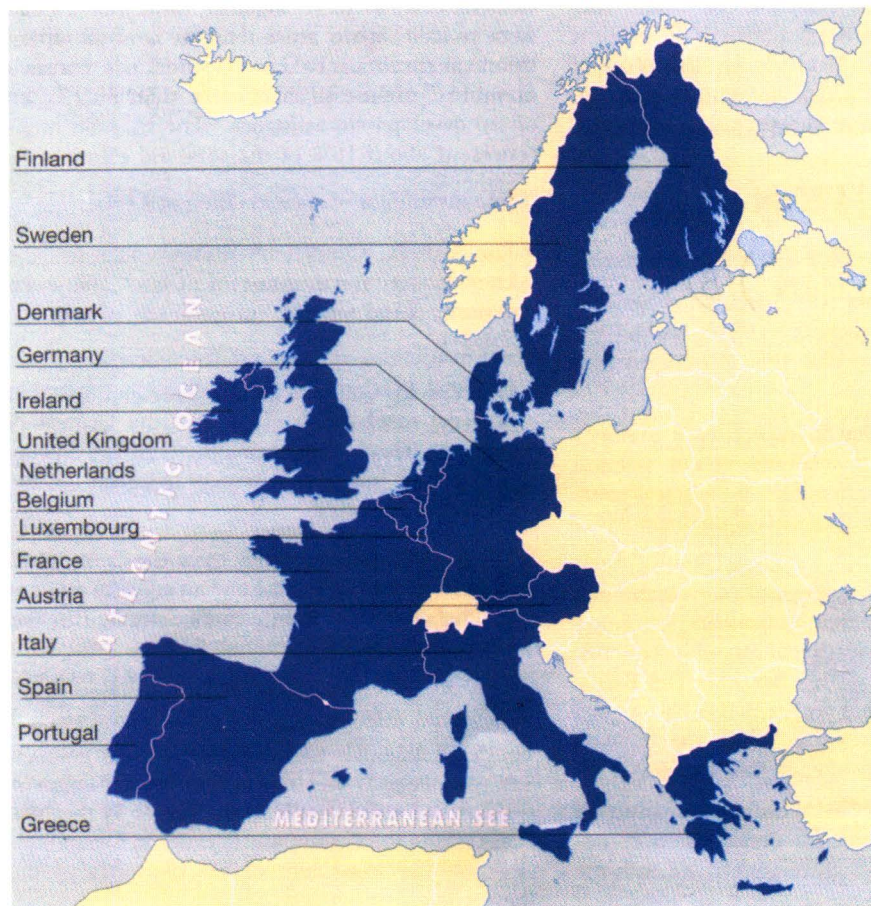
On the aid side, the Union has implemented a substantial programme of financial and technical cooperation. The EU has transferred some EUR 1 330 million ⁽¹⁾ to the Pacific ACP countries and OCTs over the last 20 years. Together with its Member States, it has provided on average some 23 % of all assistance received by the South Pacific independent countries. Other major donors are Australia, Japan and New Zealand.

The importance of EU-Pacific relations is underlined by the permanent presence in Brussels of four Pacific ACP countries' ambassadors, representing Fiji, Papua New Guinea, Samoa ⁽²⁾ and the Solomon Islands. The European Commission 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 plus the four OCTs of France and the United Kingdom.

⁽¹⁾ For the purposes of this brochure, all amounts are denominated in euro (EUR) the currency that came into being on 1 January 1999.

⁽²⁾ Western Samoa changed its name to Samoa in 1996.



THE EUROPEAN UNION AND DEVELOPMENT COOPERATION

THE UNION IN EUROPE

The European Union is made up of 15 countries: Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, Sweden and the United Kingdom ⁽¹⁾. Six of these are the founding members which signed the three treaties which formed the initial framework for the construction of a united Europe — the European Coal and Steel Community (ECSC) Treaty in 1951, and the European Atomic Energy Community (Euratom) Treaty and 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 has wider powers than its predecessor, the EC, covering justice and home affairs, the establishment of economic and monetary union, and a common foreign and security policy.

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 71 African, Caribbean and Pacific States. With regard to the ACP States and 20 overseas countries and territories, the bulk of the Community assistance is provided by the European Development Fund (EDF); however, the budget's resources to provide finance for cooperation with non-governmental organisations and in the areas of food aid, rehabilitation, tropical forests, fight against AIDS, etc., has 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 EU'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 10-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 cooperation 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 for themselves which development instruments to use, according to their own priorities.
- Its institutions (Council of Ministers, Committee of Ambassadors, 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 cooperation.
- The ACP-EC Committee of Ambassadors (based in Brussels) meets more often than the Council of Ministers. This Committee monitors ACP-EU cooperation 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 cooperation.

The Joint Assembly also organises regular contacts and consultations with representatives of 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.

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

European Union institutions

1. **The European Council**, comprising the Heads of State or Government of the Member States, meets twice-yearly to lay down guidelines for Union policy.
2. **The Council of the European Union** is 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 is 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, central and east European, Latin American and Mediterranean countries, as well as to the OCTs and ACP States.

The Committee of the Regions was 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.

Lomé IV was different from its predecessors in being given a 10-year duration (1991–2000), although the financial protocol providing for the seventh EDF was for five years (1991–95). 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 eighth 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 eighth 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/decision of 25 July 1991 will run for 10 years (1991–2000). This Convention has two financial protocols defining the seventh and eighth EDFs (1991–95, 1996–2000 respectively).

The total size of the Fund has been growing steadily:

| | Million EUR |
|-------------|-------------|
| Fourth EDF | 3 222 |
| Fifth EDF | 4 818 |
| Sixth EDF | 7 500 |
| Seventh EDF | 10 940 |
| Eighth EDF | 13 132 |

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

Each fund is supplemented by loans from the EIB's own resources. The Bank may lend up to EUR 1 225 million over the period 1991–95 and EUR 1 693 million 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, for example 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 71 African, Caribbean and Pacific States.

Institutions

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

ASSOCIATION OF THE OVERSEAS COUNTRIES AND TERRITORIES WITH THE EU

Part Four of the 1957 EEC Treaty outlined the aims and means of the association of the overseas countries and territories. Every five years thereafter, the Council has adopted decisions confirming and specifying the characteristics of associations, in line with the five Conventions of Yaoundé I, Yaoundé II (the predecessors of 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 cooperation, for example, Stabex and Sysmin, the EDF for the financing of development cooperation, regional cooperation, etc. In 1991, the Commission/Member State/OCTs partnership was introduced to enable local OCTs' 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. These differences will be covered on page 41.

THE SOUTH PACIFIC AND THE EUROPEAN UNION

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

The countries and territories 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 (PNG) is 4 500 km from Samoa. Sydney airport and the airport of the Fijian capital, Suva, 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 small 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, has only some four million inhabitants. Numbers are increasing however: the birth rates are high (over 3 % in the 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

Savai'i (Samoa) — are mountainous. Fiji, Tonga, Samoa and Vanuatu 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 sources 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 (though far less now than previously), 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

Remoteness, narrow 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, 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, particularly in the atoll countries, is the low level of local food production compared with modern levels of consumption, leading to a rel-

atively high level of food imports (20 % for the region as a whole, and as much as 50 % for Tuvalu). 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 migration, which has led all Pacific countries to stress human resource development in their development strategies.

Future prospects

Land may be limited (in some countries at least), but the vast expanses of ocean surrounding the Pacific Islands are rich in fish as well as in seabed minerals. The Pacific ACP countries have declared exclusive economic zones (EEZs) — their combined EEZs cover something like 12 million km² of ocean — but they will need outside 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 a growth industry, despite the 'tyranny of distance'.

Most of the economies of the South Pacific countries are adequately 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 economic growth.

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 generally high, and governments, with some exceptions, are relatively stable. Freedom of the press is a notable characteristic. A long-awaited constitutional review in Fiji was completed in mid-1997.

A strong trend towards regional cooperation has resulted in the establishment of reasonably well-organised regional organisations in various areas of common interest (e.g. fisheries, the environment, mineral resources). Political decisions are usually 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 coconut palm — the Pacific's 'tree of life'

The South Pacific region exports agricultural commodities, minerals and fish, and imports manufactured goods (notably vehicles and machinery), fuel and food. With low prices for copra throughout the 1990s, few Pacific countries now export much in the way of coconut products (copra or copra oil), which for many years formed the cornerstone of the islands' economies). Other agricultural commodities which continue to be exported are palm oil, coffee and cocoa (PNG), logs (PNG, Vanuatu, Solomon Islands), squash and vanilla.

The export of sugar remains extremely important to Fiji, which benefits considerably from the sugar protocol. Tuna is also a valuable product, particularly for the Solomon Islands and Fiji. Papua New Guinea is a major exporter of copper and gold, and New Caledonia is a leading nickel producer.

Up to 1990, the EU used to be the largest export market for Pacific ACP State products. Since the early 1990s, however, Pacific Rim countries (notably Australia and Japan) have taken a greater market share than the EU, although the traditional PACP-EU trade surplus remains (see tables below). Pacific ACP States consistently export to the EU three to four times more than they import from the Union, with the UK, German and Dutch markets remaining particularly important for PACP exports.

EU-Pacific ACP trade flows (1992-96) — Total exports by the EU to the PACPs (1 000 EUR)

| | 1992 | 1993 | 1994 | 1995 | 1996 | Main export products |
|------------------|----------------|----------------|---------------|---------------|----------------|---|
| Fiji | 29 286 | 22 293 | 21 317 | 24 977 | 23 775 | Machinery; animal/vegetable fat and oils |
| Kiribati | 4 087 | 1 132 | 1 066 | 1 244 | 744 | Electrical appliances/equipment; machinery |
| Papua New Guinea | 67 206 | 39 847 | 47 238 | 52 227 | 78 225 | Machinery; electrical machinery and equipment |
| Samoa | 4 718 | 5 247 | 2 981 | 1 686 | 4 359 | Machinery; electrical appliances |
| Solomon Islands | 6 772 | 6 247 | 4 516 | 3 080 | 4 622 | Machinery; electrical appliances |
| Tonga | 1 314 | 2 728 | 1 148 | 4 885 | 5 258 | Machinery; textiles; electrical appliances |
| Tuvalu | 487 | 1 043 | 1 080 | 575 | 668 | Machinery; electrical appliances |
| Vanuatu | 25 543 | 43 091 | 16 808 | 7 832 | 7 036 | Cars; ships/boats |
| Total | 139 413 | 121 628 | 96 254 | 96 606 | 124 687 | |

Total exports by the PACPs to the EU

(1 000 EUR)

| | 1992 | 1993 | 1994 | 1995 | 1996 | Main export products |
|------------------|----------------|----------------|----------------|----------------|----------------|---|
| Fiji | 113 295 | 118 846 | 115 844 | 112 260 | 137 064 | Raw cane sugar (84 %) |
| Kiribati | 502 | 1 915 | 1 001 | 107 | 43 | Copra (53 %) |
| Papua New Guinea | 230 952 | 238 560 | 308 103 | 405 502 | 334 367 | Copper ores; coffee; palm oil |
| Samoa | 430 | 142 | 244 | 972 | 1 654 | Copra (47 %); plants/fruit; coconut oil |
| Solomon Islands | 22 648 | 24 799 | 32 554 | 32 927 | 25 243 | Tuna; palm oil |
| Tonga | 440 | 238 | 277 | 821 | 549 | Vanilla |
| Tuvalu | 285 | 142 | 596 | 124 | 856 | Stamps |
| Vanuatu | 11 570 | 7 685 | 6 756 | 7 411 | 7 049 | Copra (54 %); cocoa |
| Total | 380 122 | 392 327 | 465 375 | 560 124 | 506 825 | |

Trade arrangements

The current trade provisions of the Lomé Convention allow almost all exports to enter the EU duty-free and in unlimited quantities, while the Pacific countries may charge customs duties on any EU products which they import.

Under the sugar protocol annexed to the Convention, the EU 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 for some 35 to 40 % of its crop at a price which has for many years been two or even three times the world market price. In addition, Fiji has benefited from a relaxation of the rules of origin for canned tuna and garments.

The Stabex scheme — cash transfers to compensate for losses of export earnings as a result of low prices, crop failures or damage to crops — has also proved extremely helpful for the region. Over the period 1975 to 1996, transfers, in some cases of very substantial amounts, have been made for export losses on most of the region's key agricultural products (copra, cocoa, timber, bananas, coffee, palm oil). Every Pacific ACP country and one OCT has benefited from the scheme, which has provided a measure of security to primary producers in the area. New Caledonia and PNG, as mineral producers, are eligible for assistance under the Sysmin system.

Trade promotion and tourism

Funds are also provided under the Convention to promote the sale of ACP products in the EU itself and in other markets outside the EU, through, for example, technical assistance with market research and product

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

Financial and technical assistance

In addition to their trade provisions, the Lomé Conventions, backed up by five-year European Development Funds and the capital resources of the European Investment Bank, provide assistance in a variety of forms to Pacific ACP States.

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

Since Lomé IV, all EDF aid takes the form of grant aid. Setting aside the loans from the EIB's own resources, the only remaining loan element in the EDF is risk capital, repayable if the venture supported is financially successful.

In the Pacific, EDF allocations for national and regional indicative programmes (Lomé I to Lomé IV) amounted to a total of EUR 612.6 million.

Projects can also be financed through loans from the European Investment Bank. Mining and energy distribution in Papua New Guinea and hydroelectricity, 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 some EUR 219.4 million to ACP countries in the region.

Some 15 % of the EDF has been set aside in the past for the stabilisation of export earnings (Stabex). Stabex transfers are only made for products on which 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 EUR 368.7 million was paid to Pacific ACP States over the period 1975–96.

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 have had to call on the emergency aid funds on several occasions.

The Union's trade and aid arrangements for the OCTs in the Pacific are broadly similar to those under the Lomé Convention. Over the period 1975–98, New Caledonia, French Polynesia and Wallis and Futuna have been allocated some EUR 130 million in territorial and regional project aid and EUR 47 million in EIB loans (see table, page 42).

The table below shows that over the first 20 years of EU–Pacific cooperation the EU has spent or committed in one form or another some EUR 1,500 million 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. However, in 1991, all repayments still outstanding were waived. The total value of this waiver was some EUR 83.5 million. Under Lomé IV, all Stabex transfers are in grant form.

In 1990, Papua New Guinea was granted Sysmin funding of EUR 30 million 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.

PACIFIC REGION

Total EU assistance to the Pacific ACP States, 1976–99

Allocations in million EUR

| | Lomé I Fourth EDF | Lomé II Fifth EDF | Lomé III Sixth EDF | Lomé IV (1) Seventh EDF | Lomé IV (2) Eighth EDF | Total |
|--|-------------------------|-------------------------|--------------------------|-------------------------------|------------------------------|-----------------|
| National indicative | | | | | | |
| Programmes (NIPs) | 45.00 | 67.80 | 102.20 | 109.80 | 137.90 | 462.70 |
| Structural adjustment (3) | | | | 20.50 | - | 20.50 |
| Regional programmes | 10.50 | 30.40 | 39.00 | 35.00 | 35.00 | 149.90 |
| Regional trade and tourism (Article 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 | 6.60 | 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 | | | 1.40 |
| Aid via NGOs | 0.40 | 0.70 | 2.00 | 0.90 | | 4.00 |
| Budget line projects | - | - | | | | |
| Total PACPs | 109.90 | 300.20 | 442.10 | 337.40 | 172.90 | 1,362.50 |

(1) First financial protocol, Lomé IV.

(2) Second financial protocol, Lomé IV.

(3) For PNG.

EU-PACIFIC COOPERATION: DIFFERENT WORLDS, SAME AMBITIONS

The Pacific region has a number of characteristics which distinguish it from its African and Caribbean partners, and which make its cooperation with the European Union special in many ways.

The first and perhaps most obvious distinction is the great physical distance between the eight Pacific ACP States (4) and Europe — with the Greenwich meridian cutting through the EU, and the Pacific ACP States lying astride the International Date Line, the two regions could hardly be farther apart. So, too, are the regions radically separated by time, i.e. day and night. What is today in Samoa is tomorrow in Spain; what is dawn in Paris is dusk in Port Moresby.

The Pacific countries are also remote to varying degrees — distant both from their markets and from each other. But what distinguishes their remoteness from that of parts of Africa, for example, is that it is water that keeps them apart — the huge expanses of ocean that separate and isolate the islands, such that the traveller by air marvels when a destination is sighted, when it had seemed that it could so easily have been missed.

The one exception to the general pattern of small, widely separated islands with very small areas of land and huge exclusive economic zones is Papua New Guinea. By far the biggest of the Pacific ACP countries in terms of land mass, PNG, though not so distant from the rest of the world (sharing a land border with Indonesia and less than 200 km across the Torres Strait from Australia), nevertheless has a considerable measure of internal remoteness, as manifested in the

(4) Cooperation with the Pacific OCTs, which is slightly different in nature, is not referred to in this brochure.

huge number of spoken languages (some 800) which exist to this day.

Although none of the countries can be called overpopulated, it is the smaller islands that have comparatively larger populations. Papua New Guinea, with its 4.3 million inhabitants and 3.1 million km², has the largest population. Tuvalu, with 24 km², has 10 000 inhabitants. However, none of the Pacific ACP States has population densities or growth rates on the scale of some African countries: PNG, though twice as large as Uganda, has a population one sixth of its size.

A further distinction of the PACPs, as compared with their African and Caribbean partners, lies in the very varied pattern of colonial and self-government that preceded their independence. Whereas the great majority of the African and Caribbean ACP States were formerly French or British colonies, having gained independence mostly in the 1950s or 1960s, the Pacific ACP States (with the exception of Samoa which has been independent since 1962) attained full independence only in the 1970s. Nor were the former colonial powers exclusively members of the European Union: PNG had been governed by Australia and Samoa by New Zealand. Others, such as the Kingdom of Tonga, had been virtually self-governing for many decades. In the great majority of cases, the transition to full independence was smooth, and Pacific governments, with only a few exceptions, have been stable, the press has been free and human rights have, by and large, been observed. This background, and this reality, has inevitably had a bearing on the spirit of co-operation that has existed between the countries of the Pacific and the European Union ever since the first Pacific countries signed the Lomé I Convention in 1975.

This mixture of histories has also had a clear bearing on patterns of migration and trade. If population growth rates in the PACPs are generally low, this has much to do with continuing outward migration, especially from the Polynesian and Micronesian countries, to the countries of the Pacific Rim, and to Australia, New Zealand and the United States in particular. This, in turn, has had an influence on trade: while a part of the market for agricultural exports from the Pacific region lies in Europe (e.g. sugar — for particular reasons — coffee, and vanilla) another market is formed by Pacific Islanders living abroad and wishing to continue enjoying island produce (such as taro, kava and squash).

That there is fertile soil throughout the Pacific Islands (though sometimes not enough of it), that population growth is contained, that there are no great sprawling conurbations, that societies are often close-knit, strongly linked to their cultural and social heritage, and that there is rarely civil unrest — all these factors mean that, in terms of cooperation, it is not always appropriate to speak of poverty alleviation in the Pacific (there is no starvation, although there are areas of extreme deprivation) but rather of an attempt to improve the living conditions of its peoples. Equally, with generally democratic governments, a free press, religious tolerance and, with some exceptions, a reasonable level of respect of human rights, issues of good governance need less active attention than in certain other parts of the world.

Social indicators, however, vary widely throughout the region. At their best, they are impressive and at their worst, dismal. Secondary school attendance and adult

literacy rates are close to 100 % in some countries; in others they are as low as 15 %. Life expectancy is generally high: 60 years in PNG and 72 years in Fiji. Health facilities in the smaller, more fragmented island States are poor, however, and it is here, generally, that infant mortality rates are at their highest. The public sector, too, tends to be disproportionately large, often for understandable reasons. How, otherwise, could a country like Tuvalu, with its tiny population, be expected to provide a reasonable level of public service? Nevertheless, public sector reform and capacity-building form an important part of most Pacific countries' and Pacific country donors' development objectives.

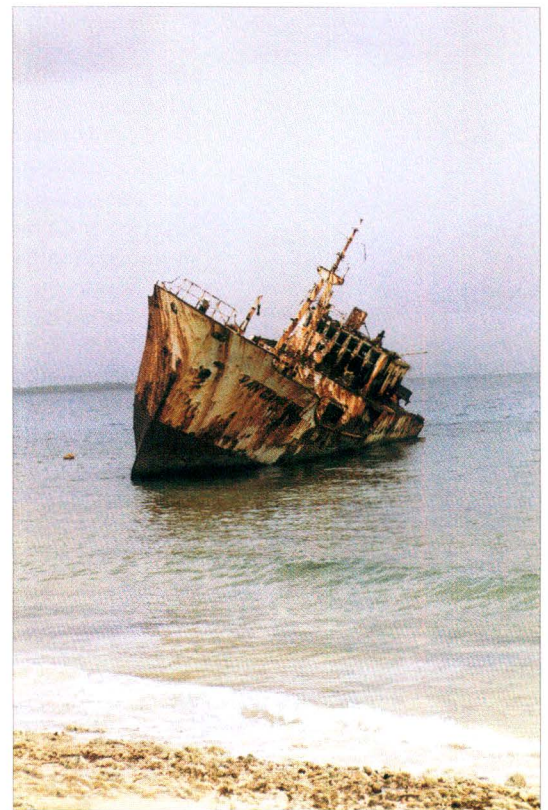
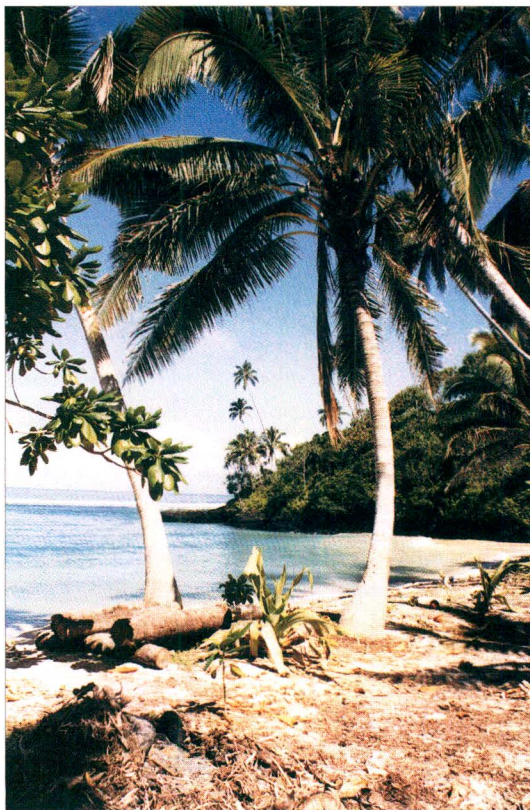
In terms of economic well-being, there is great diversity: Fiji, the most developed of the Pacific Island economies, has a GNP per capita of some USD 2 500, and a number of other countries (Tonga, Samoa, Vanuatu) have either graduated, or are close to graduation, from the UN list of least developed countries. Other Pacific countries, however, are significantly poorer. In addition, their size and their locational disadvantage make many Pacific Island countries among the most vulnerable in the world, prey to natural disasters (cyclones) and to man-made ones, or to the volatility of world markets and the risk of even greater marginalisation in a world of increased trade globalisation.

A further distinction of the region lies in the crucial significance of environmental issues. That the region is an area of great natural beauty is a truism. That its

beauty is under serious threat from global warming, from pollution and from the detritus of modern existence is also, unfortunately, just as true. The very existence of certain atoll countries is threatened by rising sea levels; countries with limited land resources are plagued by increased volumes of non biodegradable waste. All major developments require thorough environmental assessment: a spoiled environment in the Pacific would not merely be a national loss, but a loss to the world.

This is the context in which EU-Pacific cooperation operates. In many ways it is an inspiring context, because there are countries which have made the transition from dependence to independence peaceably, building up their economies slowly but surely, and retaining their social structures and pride in their cultures. However, this is not the picture everywhere: as well as the high level of vulnerability, there are areas of real need as well as infinite scope for the improvement of what is already in place, which means that the EU's development objectives, as defined by the Maastricht Treaty, are as pertinent to cooperation with the Pacific region as they are elsewhere. EU-Pacific cooperation continues, and will continue, against this background, seeking to improve health and educational facilities, build autonomous government capacity, develop land and sea resources and stimulate trade. Like their partners in other continents, the Pacific ACP States thereby aim to achieve a universal development objective: the maximum possible degree of self-reliance.

Paradise ... with problems: how to conserve the Pacific's great natural beauty and deal, affordably, with man-made eyesores



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 km²) and Vanua Levu (5 534 km²). The population of the capital city, Suva, on the east coast of Viti Levu is about 167 000 — 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. The 1996 census put the total population at 773 000, of whom 337 000 (43.6 %) were Indian Fijians, 395 000 (51.2 %) were indigenous Fijians, and the balance were 'others' (including Europeans or part-Europeans, Chinese, and other Pacific Islanders). In all, 46 % of the population live in urban areas and there is a marked drift to urban areas, and in particular to Suva, Lautoka and Nadi. The population is predominantly youthful, almost two thirds being under 30 years of age and well over a third under 15 years.

With a per capita GNP of USD 2 470 (1996), Fiji is the most developed of 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 sixth of all ACP States, after Barbados, Antigua, Bahamas, Trinidad and Tobago, and Dominica, and a few places ahead of Grenada, the Seychelles and Mauritius. With 0.87, Fiji's overall indicator is well ahead of the world average (0.77) and the average of the developing countries (0.58).

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 relatively 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 the emigration of skilled manpower and capital and diminishing private foreign investor confidence. Taken together, these factors partially explain why, in spite of significant aid flows (about USD 55 per capita in 1995), economic growth has been relatively low (averaging 1.9 % in the 1980s, including severe disruptions in 1987 and 1988 and 2.7 % over the period from 1990 to 1996). As a consequence, growth in employment (forecast at around 3 000 new jobs per annum in the formal sector and an additional 2 000 or so jobs per annum in the informal/agricultural sector) has been unable to keep pace with strong labour force growth (net increase around 8 000 annually), 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. Raw sugar production accounts for about 12 % of GDP; it employs about one fifth of the total labour force and creates

Profile

Date of independence: 10 October 1970

Total land area: 18 274 km²
322 islands (100 inhabited)

Total EEZ area: 1 146 000 km²

Capital: Suva

Population: 773 000 (1996)

Language: English (official), Bau, Hindustani

Main exports: Sugar, garments, gold, fish and timber

GNP/head: USD 2 470

Currency: Fiji dollar
EUR 1 = FJD 2.33
(1 January 1999)





Ba bridge under construction

significant multiplier effects. Tourism has become Fiji's most important industry and largest foreign-exchange earner, providing employment, directly or indirectly, to some 40 000 Fijians (15 % of the labour force). In the last 10 years or so, export-oriented manufacturing (garments, wood products, tuna canning) has also become a significant activity, accounting for 14 % of GDP and 25 % of total jobs (1995). Around 45 % of formal sector employment is in the public sector (1995). Main exports (1996) are sugar and molasses (39 %), garments and footwear (25 %), gold (10 %) and fish products (7 %). However, the competitive situation of these products, apart from gold, depends on the continuation of the various trade preferences currently applied: for sugar, the EU sugar protocol; for garments, the arrangements with the United States and with Australia and New Zealand under the South Pacific Regional Trade and Economic Cooperation Agreement (Sparteca) and the relaxation of rules of origin for garments and canned tuna under the Lomé Convention.

Fiji typically runs a deficit on its merchandise trade account which is offset by net 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 with 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 24 % (1990) to 11 % (1995). The debt service ratio stood at 4.7 % in 1995. Correspondingly, domestic debt rose from FJD 547 million in 1990 to FJD 807 million in 1995, equivalent to some 30 % of GDP.

DEVELOPMENT COOPERATION

Fiji was a signatory to the first Lomé Convention in 1975 and, to date, the country has been allocated some EUR 216 million in EU development cooperation funds.

Starting with a relatively modest EUR 9.9 million under Lomé I, the national indicative programmes rose to EUR 13 million under Lomé II. In addition to rural development activities (feeder roads in Vanua Levu), most Lomé I 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 (sixth EDF, EUR 20 million, of which EUR 5 million was 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, came on-stream only 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. EU support for this project ended in 1992, since then the scheme has been taken over by the government. A second project (a large-scale microproject programme divided into two subprogrammes) 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, 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 round-island 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 fur-

ther 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 financial protocol of Lomé IV (seventh EDF, EUR 22 million in grant aid) identified rural development and social infrastructure as the sectors of concentration to which 65 % of resources are devoted. The remaining 35 % was set aside for non-focal 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 Vanua Levu (Korovou and Vunidawa, EUR 1.135 million) was started in 1994 by the Public Works Department and completed in January 1995. The financing agreement for the two major bridges (EUR 10.24 million) 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, are two-lane, and provide for footpaths and utilities. To enable the traffic to bypass the often congested towns of Ba and Sigatoka, new sites for both bridges were chosen, which also called for the building of new approach roads. The bridges were opened in December 1996 (Ba) and May 1997 (Sigatoka).

On 2 May 1997, the indicative programme for the second financial protocol of Lomé IV (eighth EDF, EUR 25.5 million in grant aid) was signed. It introduces a major shift in the areas of cooperation, providing about 45 % of the resources to human resource development and about 35 % to the environment. Outside the focal sectors, areas such as poverty alleviation, gender planning, policy development and good governance are indicated as fields for possible future cooperation.

Non-programmable aid for Fiji has been considerable over the years. While Stabex transfers for losses on coconut oil (total EUR 5.4 million under Lomé I to III) came to a halt under Lomé IV (because levels of exports fell below the required dependency threshold), unfortunately emergency aid (total EUR 9.5 million) 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 EUR 1 million 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 of a total value of EUR 87.5 million and another EUR 6.1 million allocated in risk capital. Loans went to the sectors of energy (hydro-power scheme), industry (wood processing) and services (telecommunications, sea and air transport). Considerable interest subsidies (total EUR 15.8 million) 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 per annum) under the sugar protocol annexed to the Lomé Conventions — a quota which covers under normal conditions some 45 % of its total sugar exports. The yearly benefit from this provision can be estimated at between EUR 45 and 55 million, i.e. more than half the total of all programme aid granted over the 25 years since Lomé I (EUR 90.4 million). About two thirds of these benefits reach the farmers, so that the EU contributes some EUR 1 500 annually on average to the income of every sugar smallholder.

Furthermore, following the accession of Portugal and Finland to the EU, Fiji has benefited since 1 July 1995 and will benefit up to 30 June 2001 from an overall annual special tariff quota of 348 000 tonnes per annum at a reduced rate of duty to the tune of some 30 000 tonnes per year. While the prices under this arrangement are less favourable than the ones under the protocol, the yearly benefits under this quota can still be estimated to range between EUR 10 and 15 million.

Industrial development and external trade have been supported by the relaxation of the rules of origin for exports to the EU. This facility refers, in particular, to canned tuna, for which Fiji enjoys a share of 2 600 tonnes per annum for 1998 and 1999 and 433 tonnes for the first two months of the year 2000 out of the quota of 4 000 tonnes per annum to which an automatic derogation applies. Using the normal provisions on derogations from the rules of origin, Fiji obtained additional quantities of 950 tonnes (1 June



Fijian sugar: the sugar protocol is reckoned to be worth about € 50 m annually to the Fijian economy

1998 to 31 December 1998), 1 700 tonnes (1999) and 200 tonnes (1 January 2000 to 29 February 2000) to which the usual rules of origin for tuna fish do not apply. Most of this canned tuna is exported to the UK. Secondly, Fiji benefits from the relaxing of the rules of origin for certain types and quantities of garments, for which a first exemption ending on 31 December 1993 was renewed up to 31 December 1998. However, this facility was only used sporadically, Fiji exporting the bulk of its important garment production to Australia and the United States. 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 EUR 30 million, 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 (UK, France, Germany) bilateral cooperation with Fiji is also significant.

EU aid to Fiji

Allocations in million EUR

| | Lomé I | Lomé II | Lomé III | Lomé IV (1) | Lomé IV (2) | Total |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| National indicative programme | 9.9 | 13.0 | 20.0 | 22.0 | 25.5 | 90.4 |
| Stabex | 2.1 | 3.0 | 0.3 | 0.0 | 0.0 | 5.4 |
| Emergency aid | 3.6 | 4.6 | 0.3 | 1.0 | | 9.5 |
| Aid via NGOs | 0.3 | 0.1 | 0.4 | 0.8 | | 1.6 |
| EIB loans — own resources | 24.0 | 28.0 | 22.5 | 13.0 | | 87.5 |
| Risk capital | 0.1 | 5.0 | 1.0 | 5.2 | 2.0 | 13.3 |
| Interest rate subsidies | 3.9 | 5.3 | 3.7 | 1.3 | | 14.2 |
| Total | 43.9 | 59.0 | 48.2 | 43.3 | 27.5 | 221.9 |

(1) First financial protocol, Lomé IV.

(2) Second financial protocol, Lomé IV.

NB: As at January 1999.

Kiribati

BACKGROUND

A group of 33 islands, lying astride 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 81 000, 25 000 live in the capital, Bairiki, on the island of Tarawa.

The total land area is 810 km², with the islands spread over 3 million 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 equalisation 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 to 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: 2 July 1979

Total land area: 810 km²

33 islands (17 inhabited)

Total EEZ area: 3 558 km²

Capital: Bairiki on Tarawa

Population: 81 600 (1996)

Language: Gilbertese and English

Main exports: Copra, fish

GNP/head: USD 920 (1996)

Currency: Australian dollar

EUR 1 = AUD 1.89
(1 January 1999)



DEVELOPMENT COOPERATION



Weighing dried seaweed on Abaiang atoll

Kiribati was allocated a total of EUR 28.5 million in programmable resources under the first four Lomé Conventions. Projects included the financing of infrastructural work, activities in the fisheries sector and, to a lesser extent, training and microproject programmes.

Telecommunications projects have absorbed much of the total funds: the rehabilitation of the South Tarawa telephone exchange was funded under Lomé I (EUR 3.3 million), and a further EUR 6.2 million 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 (EUR 333 036).

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

Microprojects of a total value of EUR 241 742 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 Kiribati Government have amounted over the years to a total of just over EUR 6.3 million. All have been granted in respect of losses on export earnings for copra.

Under the current Convention, Lomé IV, Kiribati received EUR 6 million 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 (EUR 1.3 million), which sets out to provide villagers with an additional source of cash income. Secondly, EUR 1.77 million has 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 (EUR 1.2 million) seeks to upgrade the country's international airports to acceptable standards, thus helping to maintain international air connections to the country.

The implementation of all three projects began in 1995.

Under the second financial protocol, Kiribati received EUR 8.5 million in grants.

EU aid to Kiribati

Allocations in million EUR

| | Lomé I | Lomé II | Lomé III | Lomé IV (1) | Lomé IV (2) | Total |
|-------------------------------|-------------|-------------|-------------|--------------|-------------|--------------|
| National indicative programme | | | | | | |
| — Grants | 3.50 | 4.00 | 6.50 | 6.000 | 8.5 | 28.50 |
| — Risk capital | | | 0.50 | 1.000 | 1.0 | 2.50 |
| Stabex | 2.30 | 1.60 | 2.40 | 0.063 | 0.0 | 6.36 |
| Total | 5.80 | 5.60 | 9.40 | 7.063 | 9.5 | 37.36 |

(1) First financial protocol, Lomé IV.

(2) Second financial protocol, Lomé IV.

Papua New Guinea

BACKGROUND

A geologically diverse country with active seismic and volcanic zones, Papua New Guinea (PNG) 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, gold, oil and copper alone account for two thirds 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 transport 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 1998 has amounted, in the form of commitments, to over EUR 600 million.

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 (EUR 10 million) through Lomé II (EUR 23 million) and Lomé III (EUR 34.5 million), Lomé IV (EUR 44.2 million) to Lomé IV *bis* (EUR 50 million). The content of the programmes reflects the major obstacles to be overcome in the development of the nation.

Profile

Date of independence: 15 September 1975

Total land area: 461 691 km²

Total EEZ area: 3 127 000 km²

Capital: Port Moresby

Population: 4 401 000 (1996)

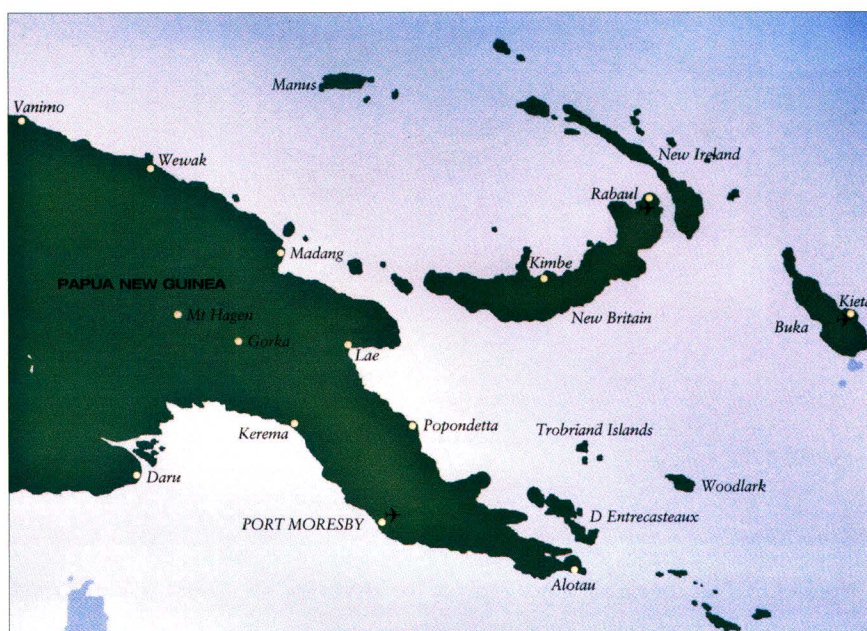
Language: Pidgin English, English and about 800 other languages

Main exports: Gold, copper, oil, coffee and timber

GNP/head: USD 1 150 (1996)

Currency: Kina

EUR 1 = PGK 2.52
(1 January 1999)





Trainees being instructed in sustainable forest exploitation under the EU-funded Islands Regional Environment and Community Development Programme (IRECD)

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, and 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 minihydro project, in the 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, a multi-annual 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 microproject programmes were instrumental in enhancing the living conditions of the rural population through relatively simple self-help 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 were human resources (50 %) and rural development (40 %) with 10 % reserved for other actions outside the focal areas.

A human resources development programme was provided 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 scholarship and in-country training component.

Under the rural development focal sector, micro-projects 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.

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

A second human resources development programme was approved in late 1998. It will provide for infrastructure at the Technical University in Lae, for the upgrading of four provincial high schools to teach grades 11 and 12, as well as components for vocational training, scholarships and in-country training.



Much of EU-PNG cooperation has focused on improving the country's inland road network

Other aid instruments

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

Stabex has been a key instrument in balance-of-payments support and has accounted for approximately half of all EU aid disbursed. PNG is one of the largest beneficiaries of the Stabex instrument. Over EUR 245 million 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 or man-made disasters. This facility has been used to provide food aid for migrants from Irian Jaya (Indonesia) 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. Victims of the Aitapé tsunami (tidal wave) have been assisted, as have regions which suffered from the 1997 drought. A community school building on East New Britain was funded from the EU budget line for rehabilitation 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 was used to support a road upgrading and rehabilitation programme in the interests of economic diversification, and also for the construction of the Ramu highway.

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-sized enterprises in the manufacturing, agro-industry and tourism sectors. A major project in 1995 concerned participation in the Lihir gold mine. Under Lomé III, EIB risk capital was provided for the Yonki hydroelectric project, the construction of a storage dam and the installation of two new 15 MW generating units at the Ramu power station in the eastern province.

Finally, an environmental and community development programme is being funded from the EU tropical forestry budget line for the island 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 eco-forestry.

EU aid to Papua New Guinea

Allocations in million EUR

| | Lomé I | Lomé II | Lomé III | Lomé IV (1) | Lomé IV (2) | Total |
|-------------------------------|-------------|--------------|--------------|--------------|-------------|--------------|
| National indicative programme | 10.0 | 23.0 | 34.5 | 44.2 | 50.0 | 111.7 |
| Structural adjustment | | | | 20.5 | - | 20.5 |
| Stabex | | 50.6 | 110.0 | 84.6 | - | 245.2 |
| Sysmin | | | 30.0 | - | - | 30.0 |
| European Investment Bank | 8.9 | 61.7 | 36.5 | 64.0 | 35.0 | 206.1 |
| Other (3) | | | 0.8 | 6.0 | 0.6 | 7.4 |
| Total | 18.9 | 135.3 | 214.8 | 219.3 | 85.6 | 673.9 |

(1) First financial protocol, Lomé IV.

(2) Second financial protocol, Lomé IV.

(3) Emergency aid, rehabilitation, forestry, NGO and budget lines.

Snapshot of Bougainville, February 1999

The island of Bougainville is part of the State of Papua New Guinea. It is situated about 1 000 km from the capital of PNG, Port Moresby, and is geographically closer to the Solomon Islands. When a permanent ceasefire came into effect in April 1998, it marked the end of a bitter conflict that had raged on the island since 1990. The conflict had its origins in the dissatisfaction of the islanders with the compensation they received from the exploitation of the Panguna copper mine, which was owned by an Australian company. In the 1960s, huge deposits of copper were discovered in Panguna in central Bougainville. Most of the profits went to the central government and foreign shareholders. Some Bougainvillians felt, on the one hand, that they themselves were not benefiting from the rich deposits, but were, on the other hand, faced with severe environmental problems caused by the mining activities. These grievances triggered a separatist movement seeking independence for the island of Bougainville. For almost nine years, war raged between the central government of PNG and the Bougainville Revolutionary Army (BRA). A truce was signed in October 1997, and in April 1998 almost all the parties concerned signed a permanent and irrevocable ceasefire agreement.

The island faces a huge task of reconstruction. Nine years of war and the economic blockade imposed by the Port Moresby authorities resulted in the collapse of the economy. The transport and communications infrastructure has suffered serious damage and services are virtually non-existent. Basic healthcare and education provision needs to be restored. There is no mining industry on the island, and the agricultural sector is well below its production capacity.

The European Commission is implementing a comprehensive package of aid for Bougainville. Stabex funds have been used to benefit the agriculture of Bougainville, and ongoing projects of the seventh EDF, such as rural water supply and eco-forestry projects, have been extended to cover Bougainville. Under the eco-forestry programme, there are five operating projects aimed at reconstruction of the local communities' housing, generating income, and creating work for young people and improving their skills. A new Stabex framework of mutual obligation is also under preparation for an additional allocation of EUR 5 087 000 to be used for the restoration of the island, particularly in the agriculture, infrastructure and education sectors. The planned interventions include feeder road improvements, agricultural rehabilitation, and the development of vocational and technical schools. At its meeting in Mauritius in April 1998, the Joint Assembly adopted a resolution (ACP-EU 2347/98/fin) which contains recommendations for action by the PNG Government and other parties, as well as specific ones for the EU and the Member States. These recommendations have been carried out to a large extent as far as the European Commission is concerned.

Samoa

BACKGROUND

Samoa (known until 1996 as Western Samoa) comprises two main islands, Upolu and Savai'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 165 000 (40 000 in the capital, Apia), with a further 100 000 or so Samoans living overseas (principally in New Zealand, Australia 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 % per annum) to a net growth rate of 0.6 % per annum

Although its EEZ is relatively small, and there are no known mineral resources, the country is well endowed with land suitable for agricultural and livestock production. Agriculture is the dominant sector of the economy, characterised by a substantial subsistence base which provides a livelihood for over 60 % of the population. Together with forestry and fisheries, it accounts for some 35 % of GDP, while manufacturing contributes 13 %, public administration 16 %, services and other activities 28 % and tourism 8 %. 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, Samoa's cooperation with the European Union began in 1975 with its accession to the Lomé Convention. From the start, the sector to benefit most from programmable funds (EUR 4.6 million under Lomé I and EUR 6.2 million under Lomé II) was the energy sector, with the financing of the Samasoni hydroelectric scheme in the late 1970s and the Sauniatu hydro-power scheme in the early 1980s. In parallel, a programme of 260 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 EUR 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 to programmable aid, Samoa received 12 Stabex transfers totalling EUR 8.9 million for export losses on copra, wood, bananas and cocoa in the period 1975–84.

Profile

Date of independence: 1 June 1962

Total land area: 2 935 km²
(nine islands, four inhabited)

Total EEZ area: 130 000 km²

Capital: Apia

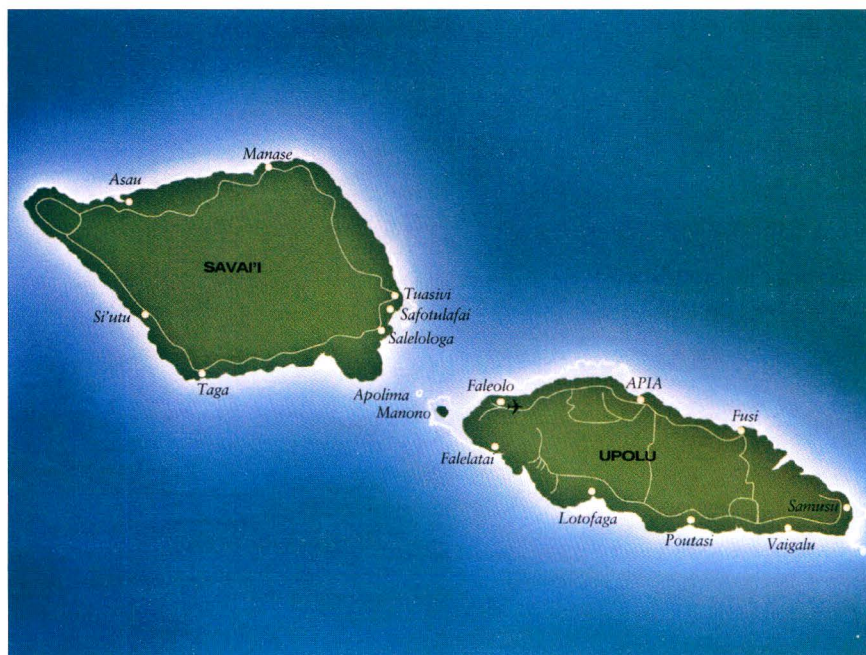
Population: 165 000

Language: Samoan and English

Main exports: Kava, fish

GNP/head: USD 1 170 (1996)

Currency: Tala
EUR 1 = WST 3 563
(1 January 1999)





Samoans taking part in a royal kava ceremony: cultural traditions are strong throughout the Pacific region

Under Lomé III, the development of the country's substantial hydroelectric power potential continued, and Samoa began to take 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 hydro-power plant (Lomé III and Lomé IV), these volumes have decreased further, with positive benefits in terms of foreign-exchange savings. The scheme, which was co-funded by the Asian Development Bank, involved the construction of a 10 million m³ reservoir, a penstock, a powerhouse, and the installation of mechanical equipment and transmission lines, and has con-

tributed substantially to the quality of electricity supply on the island of Upolu. In 1997, the EIB gave the go-ahead to a EUR 4.2 million loan to extend the capacity of the Afulilo power station by, amongst other things, the provision of a third generator.

Under the seventh EDF, the Bank had also made available to the Development Bank of Samoa the sum of EUR 1.5 million for onlending to small and medium-sized businesses in the fields of agro-industry, fisheries, tourism and transport. A further EUR 2 million was provided by the Bank under the eighth EDF.

Under Lomé IV (both first and second financial protocols), a major rural water supply programme (EUR 15.6 million in all) is being funded, involving the construction and rehabilitation of the water supply network in heavily populated rural areas on each of the main islands.

Finally, a EUR 1 million microproject programme is in progress which provides small-scale funding for a wide variety of initiatives in rural areas (renovation of infrastructure or purchase of equipment for rural communities in the fields of water supply, health, education, tourism, agriculture and fisheries).

Stabex payments in the late 1980s amounted to EUR 11.1 million (1985–89) and under Lomé IV (first financial protocol) (1990–94) to EUR 5.7 million. Payments were made principally in respect of losses in coconut oil and copra products, but also for losses on exports of cocoa beans and of wood in the rough.

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

EU aid to Samoa

Allocations in million EUR

| | Lomé I | Lomé II | Lomé III | Lomé IV (1) | Lomé IV (2) | Total |
|-------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|
| National indicative programme | 4.60 | 6.20 | 9.00 | 9.00 | 11.50 | 40.30 |
| EIB loans — risk capital | | 3.30 | 4.20 | 5.70 | 2.00 | 15.20 |
| Stabex | 2.80 | 6.50 | 11.10 | 5.70 | - | 26.10 |
| Emergency aid | | 0.14 | 0.21 | 0.30 | - | 0.65 |
| Total | 7.40 | 16.14 | 24.50 | 20.70 | 15.70 | 84.44 |

(1) First financial protocol, Lomé IV.

(2) Second financial protocol, Lomé IV.

Solomon Islands

BACKGROUND

The Solomon Islands is made up of six 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 remains, however, 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 to 3.5 % per annum), and it is estimated that the total population in 1998 exceeded 400 000. About 94 % of the population are Melanesian, the remaining being Polynesian and, to a lesser extent, Micronesian. The official language is English, though Pidgin is the most commonly used language. However, some 90 different indigenous languages exist.

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

The Solomon Islands became an independent State on 7 July 1978 and remained a member of the Commonwealth as a constitutional monarchy represented by a governor-general. The government is headed by the prime minister who leads a cabinet of 18 ministers. The legislature is the unicameral 47-seat national parliament formed by multiparty members elected by universal suffrage for a four-year term.

DEVELOPMENT COOPERATION

Since becoming a member of the ACP Group, the Solomon Islands has benefited from the various Lomé Conventions, increasing its allocations from EUR 18.9 million under Lomé I to EUR 60.8 million under Lomé IV *bis* (Stabex funds included), at which time the European Community became the most important donor of development aid to the Solomon Islands. More than 93 % of the aid was given in the form of a grant; only EUR 4.8 million had been allocated in the form of special loans and risk capital by the European Investment Bank.

Under the fourth Lomé Convention (first financial protocol), total EU aid amounted to EUR 29.7 million, of which EUR 6.8 million was from Stabex funds. Under the second financial protocol of the fourth Lomé Convention, an allocation of EUR 60.8 million was made, to which allocations made by the EIB could be added.

Profile

Date of independence: 7 July 1978

Total land area: 29 000 km²

Total EEZ area: 777 000 km²

Capital: Honiara

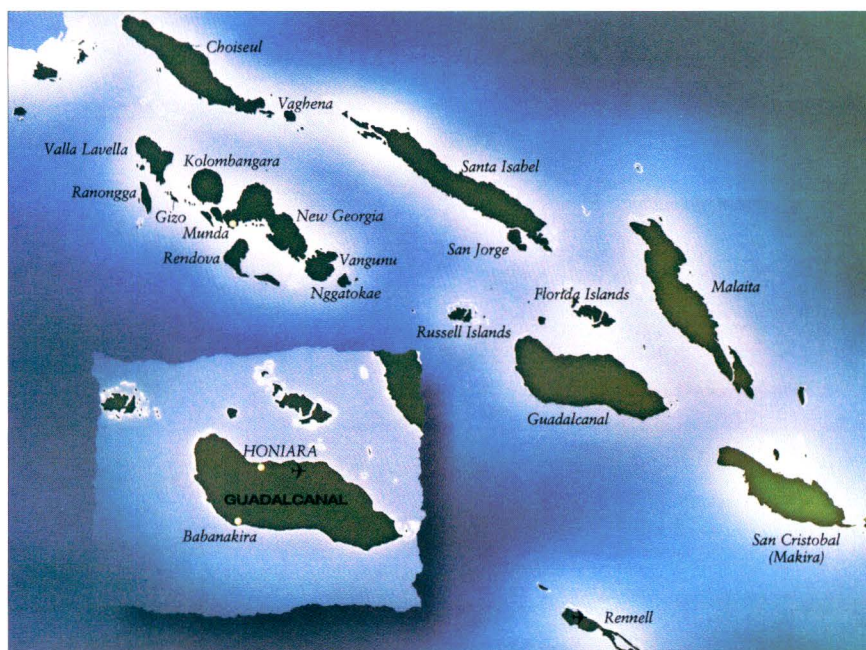
Population: 389 180 (1996)

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

Main exports: Logs, fish, palm oil, cocoa beans, copra

GNP/head: USD 900 (1996)

Currency: Solomon Islands dollar
EUR 1 = SBD 5.75
(1 January 1999)





Road construction by manual labour

As under former Lomé Conventions, the eighth European Development Fund continues to support 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 small-holder sector, both directly in the form of increasing production and raising incomes through export and local cash crops, and indirectly, through improvements to rural infrastructure thereby improving marketing opportunities. The most important current rural infrastructure project, financed from the seventh EDF, is the Malaita rural infrastructure project which is opening up isolated agricultural areas and providing access to potential new areas. The programme is implemented in parallel with a farmer support programme to develop the agricul-

tural areas made productive by the infrastructure project. This strategy also includes improvements to rural health centres throughout the country so that every Solomon Islander is able to reach a healthcare point within an hour or so.

Special emphasis is given to rural youth who have no access to secondary schooling or who fail to meet the selection criteria. This involves assistance to a network of rural training centres. Their association now includes about 30 centres providing 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 enterprise project aims to create or 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 re-forestation programmes over a period spanning more than 12 years. Substantial financial support of more than EUR 6 million 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 is being promoted by local landowners and communities, in the hope of countering the

increasingly threatening impact of foreign industrial logging companies.

Political support is decisive for the success of 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 escalated during the 1990s to such an extent that it reached about 48 % of the 1995 export earnings, needs to be brought back to sustainable levels. Planting activities have to guarantee that there is a future for the growing generation of young Solomon Islanders.

EU aid to Solomon Islands

Allocations in million EUR

| | Lomé I | Lomé II | Lomé III | Lomé IV (1) | Lomé IV (2) | Total |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| National indicative programme | | | | | | |
| — Grant | 9.90 | 12.00 | 17.00 | 20.90 | 19.00 | 78.80 |
| — Special loans (Commission) | 6.76 | | 2.00 | | | 8.76 |
| Stabex | 2.20 | 4.20 | 31.30 | 6.80 | 41.80 | 86.30 |
| EIB risk capital | | 0.19 | 2.00 | 2.00 | | 4.19 |
| Emergency aid | | | 0.43 | 0.02 | | 0.45 |
| Total | 18.86 | 16.39 | 52.73 | 29.72 | 60.80 | 178.50 |

(1) First financial protocol, Lomé IV.

(2) Second financial protocol, Lomé IV.

Tonga

BACKGROUND

The Polynesian Kingdom of Tonga, just west of the International Date Line, is the first place in the world to see each new day, and was therefore the first to see the new millennium. The Kingdom covers 1 000 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 composed 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 Niua.

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 the fisheries sector is significant, given its relative state of underdevelopment — at present it accounts for only 5 % or so of GDP. A small manufacturing sector also exists, concentrated mainly in the small industries centre located outside Nuku'alofa.

Tonga's physical beauty and highly traditional society make it an interesting tourist destination, attracting tens of thousands of visitors each year. The industry provides full-time employment for around 1 500 people and earns the Kingdom some TOP 15 million annually.

DEVELOPMENT COOPERATION

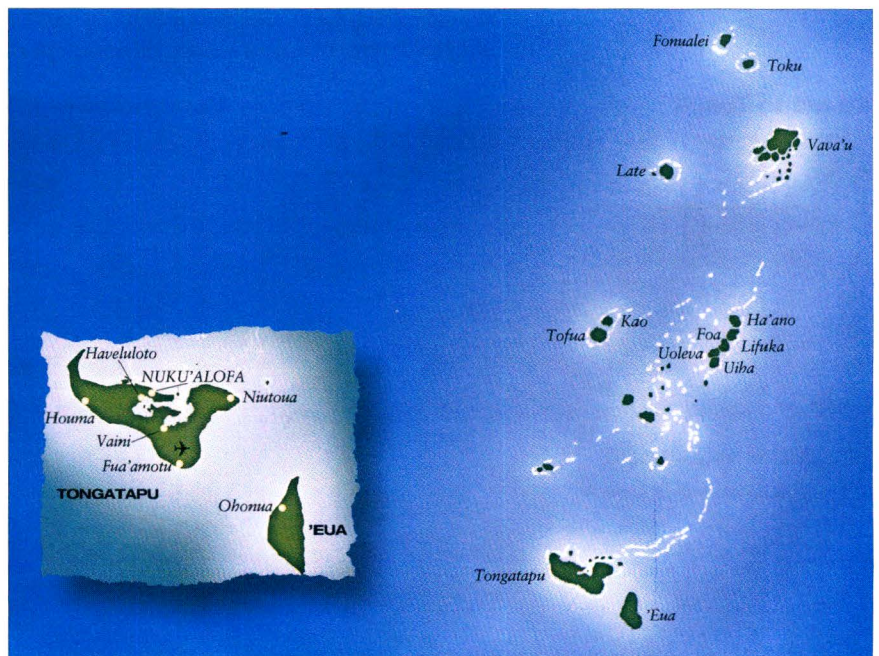
EU-Tonga cooperation began in 1975 with the first Lomé Convention, soon after Tonga gained full independence in 1970.

Grant aid totalling EUR 26.8 million (Lomé I to Lomé IV) has been allocated to Tonga in its 24-year membership of the Convention.

Under Lomé I, funds were directed principally towards two main projects, i.e. 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 the Vava'u and Fua fisheries harbours. The EIB also financed a line of credit under Lomé I (EUR 130 000) to the Tonga Development Bank.

Profile

| | |
|-----------------------|---|
| Date of independence: | 4 June 1970 |
| Total land area: | 699 km ² (170 islands, 45 inhabited) |
| Total EEZ area: | 362 000 km ² |
| Capital: | Nuku'alofa |
| Population: | 97 400 |
| Language: | Tongan and English |
| Main exports: | Squash pumpkin, vanilla |
| GNP/head: | USD 1 790 (1996) |
| Currency: | Pa'anga (Tongan dollar) EUR 1 = TOP 1.88 (1 January 1999) |





Tonga's physical beauty and highly traditional society make it an interesting tourist destination

and EUR 1.5 million in EIB financing) were also earmarked for the development of the island group.

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 was perceived to be greater than that of the other island groups, but was largely untapped at the onset of Lomé III, due to several constraining factors (relatively low productivity, undeveloped marketing infrastructure, 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 (EUR 24 million) sought to complete the upgrading of the airport. 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' (EUR 5 million), comprised a series of activities which included the upgrading of roads, the provision of photovoltaic (solar) equipment for household energy needs, the supply of equipment for vocational training colleges, and the building of a health clinic, a new market and an agricultural quarantine building.

The programme continues under Lomé IV, with approximately 75 % of programmable resources for Tonga (EUR 4.5 million) 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 project components include upgrading the town centre and urban roads, improving harbour facilities and improving the distribution of piped water and rainwater to households. In addition, a multi-annual microproject programme is being implemented whereby a number of jetties are being built on the inhabited outer islands of Vava'u, thereby improving access from these islands to the main centre of Neiafu.

A further programme for Vava'u focusing on three sectors (agriculture, fisheries and tourism) is being developed for eighth EDF funding.

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.

EU aid to Tonga

Allocations in million EUR

| | Lomé I | Lomé II | Lomé III | Lomé IV (1) | Lomé IV (2) | Total |
|---|------------|-------------|-------------|-------------|-------------|--------------|
| National indicative programme | 3.2 | 4.1 | 6.5 | 6.0 | 7.00 | 26.80 |
| EIB loans — risk capital | | 2.3 | 3.8 | 3.7 | 1.50 | 11.30 |
| Stabex | 1.2 | 4.0 | 4.0 | 2.0 | 0.37 | 11.57 |
| Other (emergency aid NGO projects, AIDS control, environment) | 0.1 | 1.4 | - | - | 0.14 | 1.64 |
| Total | 4.5 | 11.8 | 14.3 | 10.0 | 9.01 | 49.61 |

(1) First financial protocol, Lomé IV.

(2) Second financial protocol, Lomé IV.

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 m 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 (50 000 times as large as its land area), there is, however, considerable potential in the fisheries sector. Although 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 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 10 000-strong population of Tuvalu, some 4 000 live in or around the capital, Funafuti.

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 to Lomé IV), it has been allocated EUR 6.8 million in grant aid, and EUR 4.4 million in assistance from the European Investment Bank.

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

Both projects (the Funafuti power plant and the microproject 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 the islanders' land and livelihoods.

Profile

Date of independence: 1 October 1978

Total land area: 25.9 km²
(a group of atolls, eight inhabited islands)

Total EEZ area: 1 300 000 km²

Capital: Funafuti

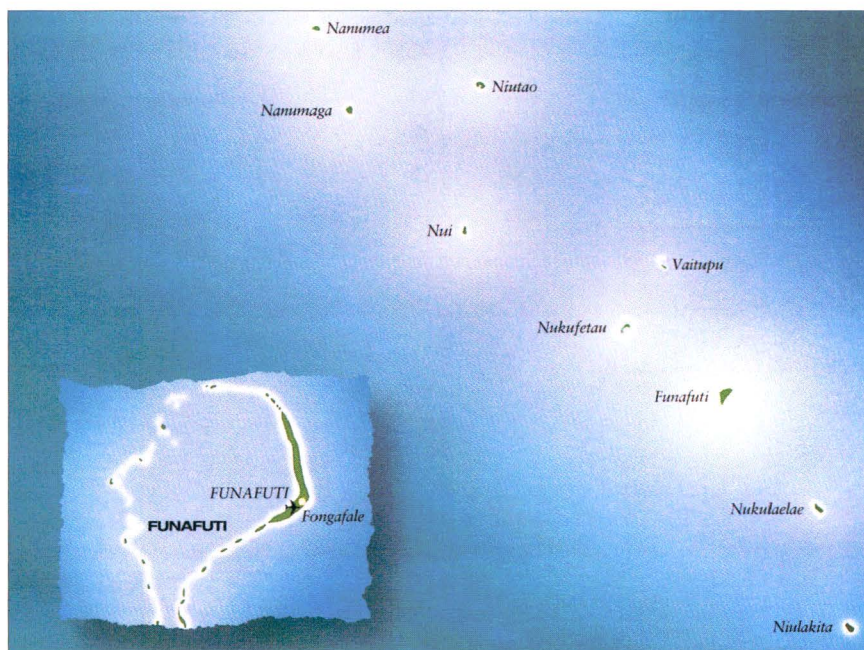
Population: 10 000

Language: Tuvaluan and English

Main exports: Stamps

GNP/head: USD 1 223

Currency: Australian dollar
EUR 1 = AUD 1.89
(1 January 1999)





Coastal protection is vital in low-lying Tuvalu, where the limited fertile areas are threatened by rising sea levels

Tuvalu's third national indicative programme (EUR 2 million, 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.

The greater part (EUR 900 000) of the Lomé IV (first financial protocol) allocation (EUR 1.3 million) went 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. A further EUR 300 000 project aimed at the rehabilitation of primary schools on two outer islands. The Lomé IV *bis* allocation of EUR 1.9 million will focus on projects in the education and environment sectors.

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

EU aid to Tuvalu

Allocations in million EUR

| | Lomé I | Lomé II | Lomé III | Lomé IV (1) | Lomé IV <i>bis</i> | Total |
|-------------------------------|-------------|-------------|-------------|-------------|--------------------|--------------|
| National indicative programme | 0.60 | 1.00 | 2.00 | 1.30 | 1.90 | 6.80 |
| EIB loans — risk capital | | 0.10 | 2.00 | 2.00 | 0.50 | 4.40 |
| Subtotal | 0.60 | 1.10 | 4.00 | 3.10 | 2.40 | 11.20 |
| Stabex | 0.17 | 0.14 | 0.14 | 0.03 | 0.00 | 0.48 |
| Emergency aid | | | | 0.02 | 0.00 | 0.02 |
| Total | 0.77 | 1.24 | 4.14 | 3.15 | 2.40 | 11.70 |

(1) First financial protocol, Lomé IV.

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 177 400-strong population, the great majority of which (98 %) is Melanesian, is distributed throughout the island groups, though some 25 % 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. Although 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 the most important sector of the economy. Like other Pacific Island States, Vanuatu's traditional cash crop, copra, has suffered from the collapse of world market prices in recent years. The livestock sector is important, in terms of both the domestic and export markets. Cocoa, sawn timber and vanilla are also exported, 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 formal economy is dominated by services, including government, tourism (a growth sector) and an off-shore financial centre. The country also has a small manufacturing sector (involved principally in the processing of imported products).

DEVELOPMENT COOPERATION

Vanuatu was allocated EUR 2.8 million and EUR 4.5 million 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 (EUR 2.1 million) 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: EUR 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, re-forestation, water supply and feeder road construction, were covered under two microproject schemes (EUR 380 000 in all), while a further microproject programme (EUR 150 000) sought to raise copra quality by providing 860 hot-air dryers and installing 940 improved smoke dryers in rural communities.

Profile

| | |
|-----------------------|---|
| Date of independence: | 30 July 1980 |
| Total land area: | 12 190 km ² (12 main and over 70 small islands, |
| Total EEZ area: | 960 000 km ² |
| Capital: | Port Vila |
| Population: | 177 400 (1997) |
| Language: | English, French and Bislama, and about 100 indigenous languages |
| Main exports: | Copra, beef, sawn timber |
| GNP/head: | USD 1 290 (1996) |
| Currency: | Vatu EUR 1 = VUV 153 (January 1999) |





Both EDF and Stabex funds have contributed significantly to improving Vanuatu's rural road network

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 fisheries 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, recording Vanuatu's rich cultural and archaeological heritage.

Under Lomé IV (first financial protocol), the emphasis shifted to infrastructure in rural areas: of the two main projects, one involved building or upgrading main roads on six islands — Ambrym, Epi, Ambae, Santo, Malo and Malekula — while the other, in the education sector, involved the improvement of some 46 primary schools in rural areas throughout the islands, using construction standards designed to ensure low maintenance costs for a period of 20 years. In addition, the project provided for the establishment of a database on the physical condition of the schools and for training in their maintenance.

Some of the most successful aspects of this project (e.g. the training in school maintenance) have been replicated in a major eighth EDF project, the education development programme (EUR 7.5 million) which aims to contribute substantially to increasing the numbers and quality of junior secondary schools, especially in rural areas. The project will also provide teacher training materials, as well as equipment for the Examinations Centre and Curriculum Development Centre.

Furthermore the EIB has provided finance for the Vanuatu Development Bank — in risk capital and for onlending to smallholders — to the tune of EUR 2 million. A further EUR 2 to 4 million 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 accordingly been high: over EUR 31.5 million throughout the years, with payments reaching a high point of over EUR 11 million in 1986 for losses of earnings for copra alone.

Emergency aid (total value EUR 673 939) was 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.

As part of efforts to underpin good governance, funding was provided in 1998–99 for technical assistance for the Vanuatu Ombudsman's Office.

Finally, Vanuatu's forestry sector has benefited from two projects: one (EUR 356 651) designed to encourage a small-scale, sustainable forestry industry (sawmilling), and the other (EUR 90 000), based on Malakula, seeking to identify activities and improvements in living conditions as an alternative for the island inhabitants to unsustainable large-scale logging operations involving tropical forests. A study was also financed (EUR 70 000) into investment opportunities for private forestry development.

EU aid to Vanuatu

Allocations in million EUR

| | Lomé I | Lomé II | Lomé III | Lomé IV ⁽¹⁾ | Lomé IV bis | Total |
|-------------------------------|------------|-------------|-------------|------------------------|--------------|--------------|
| National indicative programme | 2.8 | 4.5 | 6.7 | 7.6 | 9.50 | 31.10 |
| EIB loans — risk capital | | 2.0 | 1.0 | 1.0 | 1.00 | 5.00 |
| Stabex | 0.7 | 8.9 | 19.3 | 2.6 | 0.65 | 32.15 |
| Emergency aid | | 0.1 | 0.6 | | | 0.70 |
| Co-financing with NGOs | | | | 0.5 | | 0.50 |
| Budget line for: | | | | | | |
| — tropical forestry | | | | | 0.16 | 0.16 |
| — human rights | | | | | 0.18 | 0.18 |
| Total | 3.5 | 15.5 | 27.6 | 11.7 | 11.49 | 69.79 |

⁽¹⁾ First financial protocol, Lomé IV.

REGIONAL COOPERATION

BACKGROUND

The Pacific part of the ACP Group, composed of the eight island ACP States (Fiji, Kiribati, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu) and four overseas countries and territories (OCTs) (New Caledonia, French Polynesia, Wallis and Futuna and Pitcairn), covers an extensive geographic area. For the Pacific ACP States, 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 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 by New Caledonia), their total land area is just 0.3 % of their total EEZ of 7 870 000 km². Taken together, the EEZs of the Pacific ACP States (PACPs) and the OCTs are six times larger than the total land area of the EU's 15 Member States (3 243 000 km²).

Apart from the enormous distances separating the countries, the Pacific ACP States, by contrast with some 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. Including 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 PACPs' total population (5.3 million) live there, while the smallest country, Tuvalu, numbers only some 10 000 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 800 languages in PNG and 90 languages in the Solomon Islands). GNP per capita ranged in 1996 from USD 2 470 for Fiji to USD 900 for the Solomon Islands.

Like other small and isolated island economies, the long-term economic and social development of the Pacific ACP States 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 great vulnerability to external economic shocks and natural disasters. The fragmentation of the land mass, its remoteness and the dispersion of populations 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 high risk of natural disasters in the PACP region (cyclones in particular, as well as tsunamis), which cause destruction and death, is another major constraint for economic development.

However, limited natural resources, remoteness from main markets, geographical dispersal, and small and fragmented domestic markets constitute at the same time strong arguments in favour of establishing and strengthening regional cooperation and integration, 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 integrated into a common regional approach (economic reform, trade).

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 number of generally well-organised and effective regional organisations were set up in order to promote further economic and social development in the areas relevant to the region. 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 has also implemented several projects. 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 then European Community and the Pacific ACP States started in 1975 with the signatory States to the first Lomé Convention (Fiji, Tonga and the then 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 (RIPs) from Lomé I to Lomé III amounted to EUR 10.5 million, EUR 30.4 million, and EUR 39 million respectively, totalling some EUR 80 million (an additional EUR 12.1 million 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 a regional indicative

Total regional cooperation with the Pacific ACP States, by sector: commitments

| | (Million EUR) | | | | | | | | | |
|--|-----------------|----------------|-----------------|-----------------|-----------------|----------------|-----------------|--------------|--|------------------|
| | Lomé I | Lomé II | | Lomé III | | Lomé IV (1) | | Lomé IV (2) | | Total |
| A. Commission | | | | | | | | | | |
| 1. Natural resources | | | | | | | | | | |
| 1.1. Agriculture, forestry and rural development | 0.0 | 0.0 | | 10 482.8 | | 10 836.5 | | | | 21 319.3 |
| 1.2. Marine resources | | | | | | | | | | |
| 1.2.1. Fisheries | 355.0 | 436.9 | | 6 018.5 | | 5 069.8 | | | | 11 880.2 |
| 1.2.2. Mineral resources | 0.0 | 0.0 | | 5 000.0 | | 0.0 | | | | 5 000.0 |
| <i>Subtotal</i> | 355.0 | 436.0 | | 11 016.5 | | 5 069.8 | | | | 16 880.2 |
| 1.3. Energy | 0.0 | 6 302.8 | | 4 597.0 | | 0.0 | | | | 10 899.8 |
| 1. Total | 355.0 | 3.4 | 6 739.7 | 23.3 | 26 018.3 | 55.9 | 15 906.3 | 41.7 | | 49 098.3 |
| 2. Environment | 0.0 | 0.0 | | 48.1 | | 2 278.7 | | 6.0 | | 2 326.8 |
| 3. Services | | | | | | | | | | |
| 3.1. Transport | | | | | | | | | | |
| 3.1.1. Sea | 400.0 | 4 181.5 | | 69.1 | | 0.0 | | | | 4 659.0 |
| 3.1.2. Air | 687.0 | 4 796.3 | | 4 016.9 | | 1 160.4 | | | | 10 660.6 |
| <i>Subtotal</i> | <i>1 87.0</i> | <i>8 977.8</i> | | <i>4 086.0</i> | | <i>1 160.4</i> | | | | <i>15 311.2</i> |
| 3.2. Telecommunications | 5 814.6 | 8 145.3 | | 5 548.9 | | 0.0 | | | | 19 508.8 |
| 3.3. Tourism | 0.0 | 3 516.7 | | 7 400.0 | | 11 689.4 | | | | 22 606.5 |
| 2. Total | 6 901.6 | 65.7 | 20 639.8 | 71.4 | 17 034.9 | 36.5 | 12 850.2 | 33.7 | | 57 426.5 |
| 4. Trade development | 0.0 | 356.7 | | 1.2 | | 1 651.4 | | 571.9 | | 2 580.0 |
| 5. Human resource development | 3 252.0 | 30.9 | | 1 155.7 | | 4.0 | | 0.0 | | 3 032.8 |
| 6. Miscellaneous | 0.0 | 0.0 | | 1 866.3 | | 4.0 | | 2 708.3 | | 7.1 |
| 7. All ACP regional cooperation | | | | | 820.0 | | 610.0 | | | |
| A. Total | 10 508.6 | 100.0 | 28 891.9 | 100.0 | 46 699.0 | 100.0 | 38 168.2 | 100.0 | | 124 267.7 |

(1) First financial protocol, Lomé IV.

(2) Second financial protocol, Lomé IV.

programme 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. To make the most of the assets of the region, the sectors benefiting from comparative advantage, i.e. natural resources (agriculture, fisheries), trade and, more importantly, tourism, have been supported, the last two also from resources additional to the RIP (total EUR 10.9 million). The RIP under the first protocol of Lomé IV (1991–95, EUR 35 million, plus EUR 3.4 million 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 environment and human resource development. The RIP under the

second financial protocol of Lomé IV (EUR 35 million) very much strengthens this shift in emphasis, by devoting almost half of its resources to human resource development as a first sector of concentration, and making environmental management and protection a strong component of the second sector, related to the sustainable management of natural resources.

On an overall basis, as shown in the table above, EU regional support (commitments and 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, especially transport (both sea and air), telecommunications and tourism. With the coming into operation of the projects under the second protocol RIP, this picture will change in favour of the new themes as outlined above.

REGIONAL COOPERATION BY MAIN SECTORS

Agriculture and rural development

In all Pacific ACP States, the vast majority of the population live 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.

Under Lomé III, a Pacific regional agricultural programme was set up (EUR 7.46 million) 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 feedingstuffs 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 provided a number of useful

results. However, it was found that most of the projects would not be able to complete their work within the foreseen five years.

On this basis, a second phase of the programme was set up under the first protocol of Lomé IV (four years, EUR 9.265 million). 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 oriented towards research, the emphasis of the second phase (while finalising the research activities) was put on improving the technology transfer from researchers to farmers in rural areas. To do so, an information service has been supported 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, has been funded. Secondly, one project under phase 1 (livestock feeds) has been closed, and some other projects have been refocused (farming systems). After an independent assessment of the projects in 1997/98, it was decided to wind up five projects at the end of 1998 and to extend the six remaining projects to end-1999. Correspondingly, additional resources have been allocated to the programme.

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 (EUR 2.75 million) 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 complete regional coverage, the Pacific overseas countries and territories of two EU Member States have been associated with this programme (EUR 0.2 million), while the South Pacific Commission will cover the cost for other Pacific Island countries.

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 (DWFNs) 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.

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

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 EUR 1.7 million. 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, the United States, South Korea and Taiwan), and the island countries have difficulty in developing and organising the optimal exploitation of the resource (financial return, preservation of the 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 resources and their exploitation, 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.

- Under Lomé I and II, regional funds helped to build the headquarters of the FFA in Honiara.
- Both the FFA and the SPC received support from the EU under the five-year Lomé III Pacific regional marine resource development programme.

The FFA element (EUR 2.35 million) 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;

- 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 EUR 3.5 million 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 EUR 1.2 million from regional cooperation with the Pacific OCTs.

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-oriented field and laboratory-based biological research.

The EU contributes to the total cost of EUR 8.435 million to the extent of EUR 5 million. After a very positive mid-term review, the initial duration of the project of five years was extended by one year.

As far as nearshore and offshore seabed mineral resources are concerned, the EU, 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 (SOPAC). 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 the Solomon Islands, Vanuatu, Fiji and Tuvalu.

Certainly, the findings of this deep-sea exploration will not provide immediately exploitable opportunities in the short term. However, they do provide clear indications as to the existence, the location, and 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 comes.

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 hydro-energy, 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.

The Lomé II Pacific regional energy programme (EUR 6.19 million, initially foreseen for two years) had two main objectives: to reduce 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 to assess 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, and from biomass to mini-hydro and wave assessments, was spread over all Pacific ACP States.

The programme was unfortunately unsuccessful in many ways. An *ex post* evaluation concluded that it 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. Only the solar photovoltaic technologies (Fiji, Kiribati, Tonga, Tuvalu) and measures in energy conservation (Kiribati, Samoa) produced a positive impact on the energy sector of the countries concerned. In particular, following a recent *ex post* evaluation, it was concluded that it might be worthwhile to follow up solar energy in the case of the smaller islands.

On the basis of this somewhat unhappy, but nevertheless instructive experience, the second phase of the Pacific regional energy programme (EUR 4.4 million,

four years) introduced an entirely different approach. Instead of providing new technologies, it adopted the strategy of improving the management of the resources available by a combination of efforts in the fields of national energy policy formulation, transformation of power utilities into managerially and financially autonomous bodies and upgrading of the administrative and technical skills of staff at all levels. The programme ended in mid-1998, as scheduled. The main achievements of the programme are the provision of support to the power sector reform process, the introduction of planning and management tools for power utilities, and a broadly based training programme, including energy conservation awareness and education.

Transport and communications

The huge distances separating the countries, which themselves very often stretch over enormous distances (e.g. Kiribati, Tuvalu), imply not only huge transport costs, but constitute an important barrier to 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'. Being common problems, sea and air transport and the provision of modern telecommunications equipment have always been sectors of concentration for regional cooperation with the Pacific.

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 high-frequency radio services. Under Lomé III, a EUR 5.55 million programme provided in a first component coastal radio stations in the 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-to-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 Island) and the upgrading of the Samoan earth satellite station. The installations on Christmas Island 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 Samoan component was financed as a special loan (EUR 2.7 million).

The geographical features of the region also make civil aviation a sector of prime importance to its development. Under the first Lomé Convention the EU funded a small project in Tonga. Under Lomé II, EUR 4.6 million of regional funds was 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, and providing communications and maintenance equipment and consultancy services. 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. So a second phase (EUR 4.9 million) of the project has been launched from combined Lomé III and IV funds and is currently being implemented.

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 10 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 EUR 4.58 million, about 250 integral containers were purchased. In addition, the EIB provided EUR 4.5 million as risk capital to six Pacific ACP States in order to enable these countries to increase their equity participation in 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.

Tourism

Tourism is generally considered as the most important means by which the Pacific region can generate economic activity and employment and 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 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 EU 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 EUR 22.6 million).

Phase I of the programme (EUR 3.5 million, 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 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:

- marketing and promotion of the Pacific as a destination (including attendance at European tourism fairs, documentary films, brochures, etc.);
- 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);
- documentation, statistics and databases in order to establish a regional database and improve ability to undertake economic impact studies;
- 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 (EUR 7.4 million, 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 the 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, develop planning tools (investors' guides) and 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 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, EUR 11.53 million, including EUR 1.63 million for the association of French OCTs to the programme, taken from separate OCTs' funds) began in mid-1994. Its main objective is to achieve a moderate increase in tourist arrivals and to ensure that further development of tourism in the South Pacific is sustained without more external support (financial self-sufficiency). In order to achieve this objective, a major marketing support scheme for selected tour operators 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 master plans and other studies, covering, *inter alia*, environmental and socio-cultural impact assessments, have been undertaken.

A mid-term review of the programme conducted in the second half of 1997 concluded that, on an overall basis, the TCSP has performed well in its achievement of the targets set. However, in the field of sustainability, reform in an evolutionary sense is needed. Following the recommendations of the review and the decisions of the Council of Ministers for Tourism (Tahiti, October 1997), the Commission decided in late 1998 to extend the programme until May 2000 and to provide additional funds of EUR 2.08 million (including EUR 0.3 million from OCTs' resources).

Trade development

Developing trade with the outside world, in particular with the countries of the Pacific Rim and Europe, is of crucial importance to the Pacific insular economies. However, as these economies are generally 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 (EUR 0.8 million). In 1990, some redirection of this programme was decided, targeted more on providing direct support to the national chambers of commerce and other similar private sector organisations.

A total of EUR 1.02 million was made available under Lomé III for support for the 'Pacific village' of the Pacific ACP States in 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. They may become a basis for further activities in the field of development of trade and promotion of the private sector which is the prominent theme for the activities outside the focal sectors of the RIP 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 Samoa) to 16, with the admission to membership of Niue, Papua New Guinea, Kiribati, Tuvalu, Vanuatu, Solomon Islands, the Republic of the Marshall Islands, the Federated States of Micronesia and Palau. New Caledonia will be admitted as an observer at the 1999 Forum.

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 1997, with the admission of Malaysia, this had grown to nine parties (Canada, China, the European Union, France, Japan, South Korea, Malaysia, 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 in Fiji.

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

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 also acts as the Forum's administrative arm, implementing its decisions and responding to the needs of its members.

The 1991 Forum declared 'the purpose of the Secretariat is to facilitate, develop and maintain cooperation 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, a major organisational review was approved by the 1995 Forum in Madang and was carried out over the following two years. This led to substantial changes to the current structure and functions. As a broad principle the Secretariat now focuses much more closely on its basic role of providing economic and political support to the Forum and its members. The technical functions (in the fields of energy, telecommunications, and maritime issues among others) previously performed by the programme divisions of the Forum Secretariat have been phased out, while the present service divisions have been 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 cooperation (APEC) process, in which he has been granted observer status.

The Secretary-General acts as regional authorising officer in most EDF-financed programmes.

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; and focusing on management procedures, legislation and agreements adopted by other countries within and outside the region.

More 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.

2. South Pacific Applied Geoscience Commission (SOPAC)

The South Pacific Applied Geoscience Commission, based in Suva, was established in 1972 as a United Nations project for mineral prospecting in the South Pacific offshore areas.

Its initial objectives were 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 current work focuses on providing assistance to its member

countries in three broad key areas: mineral and energy resource identification, promotion and development; environmental geoscience, including coastal zone and water resources management; and human resource development in the geoscience field.

To effectively provide these services, SOPAC maintains an information technology unit, provides publication and library services, and offers technical and field services for specific project work.

3. 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, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu).

The USP's main premises are located near Suva and it has two more campuses. Samoa (Alafua) hosts the School of Tropical Agriculture, while the Vanuatu campus is host to the Pacific Law Unit and the Pacific Languages Unit. The USP has satellite stations in most of its 12 island member countries.

The USP caters for more than 8 000 full-time students. They undertake 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 people attended workshops and seminars organised by the institutes, and more than 10 000 participated in continuing education activities. About 65 % of its senior staff come from within the region.

THE PACIFIC COMMUNITY (SOUTH PACIFIC COMMISSION)

The Pacific Community, formerly 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 as a contribution to the reconstruction of the Pacific region after World War II. Subsequent changes to the SPC's membership have seen the withdrawal of the Netherlands. Later additions have included States, territories and islands in the Pacific, bringing the total membership to currently 28. The United Kingdom ceased to be a member at the end of 1995, but re-entered the organisation in 1997. Therefore, the Pacific Community is not only the oldest, but also the largest organisation in

the Pacific region, integrating also countries and territories not considered as independent States.

In 1998, the former South Pacific Commission was renamed the Pacific Community in order to take account of the fact that some of its members in Micronesia are not situated in the region commonly called the 'South Pacific'. However, the old acronym 'SPC' still holds for the Secretariat of the Pacific Commission.

The Pacific Community is a technical, non-political organisation. It 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.

The change of name also implied some reorganisation of the Secretariat. The SPC's work programme now consists of three main sectors: land resources

(including agriculture and forestry), marine resources (coastal fisheries, oceanic fisheries) and social resources (community health programme, socioeconomic programme, education and training programme and information/communication programme). Activities in each of these sectors include expert consultancies, training, cultural exchanges and research. The SPC is based in Nouméa (New Caledonia). Since the recent reorganisation, the land resource programme has been directed from Suva, Fiji.

THE 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. In 1991, it was agreed to give the SPREP full organisational autonomy separate from both the SPC and the Forum. The SPREP is based in Apia, Samoa. Its members are Australia, Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Papua New Guinea, Tokelau, Tuvalu and Samoa.

The central purpose of the 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.

The SPREP's 1997–2000 action plan goes considerably beyond the scope of former plans. The programme is extensive, encompassing major regional and global issues such as the conservation of biological diversity; waste management; environmental management, planning and institutional strengthening; environmental education, information and training; the monitoring of global climate change and its consequences in terms of sea-level rise and the management of the coastal zones. More nationally focused activities include legal advice and harmonisation, advice on pollution and pollution control and national environment planning.

THE SOUTH PACIFIC ORGANISATIONS COORDINATING COMMITTEE

The Forum and its Secretariat maintain strong links with all the 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), which was established by the Forum leaders in 1988 in recognition of the need for improved regional coordination. Members of SPOCC are the Forum Fisheries Agency, the South Pacific Regional Environment

Programme, the South Pacific Applied Geoscience Commission, the Tourism Council of the South Pacific, the University of the South Pacific and the Secretariat of the Pacific Commission, as well as the Forum Secretariat which chairs the meeting.

In the last few years, under the chairmanship of a restructured Forum Secretariat, SPOCC has become more active in coordinating regional affairs and particularly in the formulation and implementation of prioritised regional programmes.

COOPERATION WITH OVERSEAS COUNTRIES AND TERRITORIES

Since its foundation, the EU 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) as well as one territory under British administration (Pitcairn).

The three French territories have small populations — New Caledonia has 205 000 inhabitants, Wallis and Futuna 14 000 and French Polynesia 225 000 — and economies heavily dependent on transfers from metropolitan France. 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, the territory is restructuring, with French aid, its economy and developing its economic potential. The population of Pitcairn, the only British OCT, is less than 100.

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 five EDFs and loans from the European Investment Bank are summarised in the table below, while the text contains a brief outline of project aid. Lomé IV *bis* funds have been allocated to the territories, and programmes for the use of funds are under preparation. Further funds could be available in terms of Stabex transfers or loans from the EIB.

New Caledonia

In the past, the European Union's development programme has contributed to sectors such as agriculture, transport, energy and training. Under the seventh EDF indicative programme (EUR 12.5 million), assistance was given to the development of economic and social infrastructure, the development of human resources and to economic diversification. This assistance took the form of funding of part of the works for the construction of the Koné-Tiwaka trans-insular 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 benefiting 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 also benefits from Sysmin, the special mining facility set up for those OCTs (and ACP countries) whose mining sectors occupy an important place in their economies. The amount allocated to New Caledonia under the Sysmin facility was EUR 2.7 million. New Caledonia's eighth EDF allocation is EUR 14.1 million.

French Polynesia

Assistance from the seventh EDF (EUR 13.1 million) concentrated firstly 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 preserva-

tion 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 was implemented on the island of Tahiti. French Polynesia's eighth EDF allocation is EUR 15.8 million.

Wallis and 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 seventh EDF

indicative programme concentrated most of the resources available (EUR 4.6 million) on the development of economic infrastructure, and in particular on road construction and/or improvement. Wallis and Futuna's eighth EDF allocation is EUR 6.4 million.

Pitcairn

Pitcairn received an allocation (EUR 0.35 million) for the first time under the eighth EDF. Funds are likely to be spent on road construction.

EU aid to overseas countries and territories

Allocations in million EUR

| Territorial programmes | Fourth EDF | Fifth EDF | Sixth EDF | Seventh EDF | Eighth EDF | Total |
|--|-----------------------|----------------------|----------------------|------------------------|-----------------------|---------------|
| New Caledonia | 3.3 | 7.3 | 7.85 | 12.5 | 14.1 | 45.05 |
| French Polynesia | 3.1 | 6.4 | 8.25 | 13.1 | 15.8 | 46.65 |
| Wallis and Futuna | 2.4 | 2.5 | 3.75 | 4.6 | 6.4 | 19.65 |
| Pitcairn | | | | | 0.35 | |
| Regional programmes | — | 1.1 | 4.1 | 5.4 | | 10.6 |
| Stabex (French Polynesia) | | | 3.917 | 0.933 | | 4.85 |
| Sysmin (New Caledonia) | | | 0.8 | 0.023 | | 0.82 |
| Emergency aid | | | | | | |
| New Caledonia | | | 0.085 | 0.250 | | 0.335 |
| Wallis and Futuna | | | | 0.1 | | 0.1 |
| EIB loans | | | | | | |
| New Caledonia | | | | | | |
| — risk capital | | 1 | 3 | 6 | | 10 |
| — own resources | 7 | | | 4 | | 11 |
| French Polynesia | | | | | | |
| — risk capital | 0.85 | 1.5 | 3 | 5 | | 10.35 |
| — own resources | | 4 | 7 | 5 | | 16 |
| Interest rate subsidies (total for French Pacific OCTs) | | 2.02 | 0.87 | 2.18 | | 5.07 |
| Grand total | | | | | | 144.18 |

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