DEVELOPMENT

The European Union and the Pacific

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The European Union and the Pacific

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Foreword

On 29th May 2006, the European Commission adopted its first formal strategy in 30 years of EU-Pacific relations as a basis for the EU to deepen its relations with the 15 Pacific ACP countries and three Overseas Countries and Territories (OCTs) in the region. It aims to strengthen political dialogue, provide greater focus to development cooperation and improve the effectiveness of aid delivery.

Its vision is very close to the vision adopted by Pacific Island Forum Leaders in the 2004 Auckland Declaration: for *a region of peace, harmony, security and economic prosperity, respected for the quality of its governance, the sustainable management of its resources, the full observance of democratic values and its defence and promotion of human rights*.

This is a vision that the 14 Forum Pacific ACP countries are now striving to implement through the *Pacific Plan*, which shows that economic prosperity depends on sustainable development and that neither can be achieved without good governance and security. The insecurity and political instability recently experienced by Timor Leste, the Pacific ACP countries youngest member, has again shown that this is true, after serious experiences in Papua New Guinea, the Solomon Islands and Fiji.

The EU's Pacific strategy therefore mirrors the *Pacific Plan* in fostering security and good governance; regional integration at all levels and a commitment to the sustainable management of natural resources. Security and governance issues are closely linked as weak institutions and governance failures combined with low economic growth, high rates of unemployment and poverty contribute to state fragility. The strategy foresees a stronger focus on these issues in terms of a more intense and broader political dialogue with a focus on both prevention and stabilisation in post-conflict situations, with particular emphasis on root causes of fragility, notably poverty.

In all these areas, the EU is ready to act where it has added value to offer, in close coordination and cooperation with Australia and New Zealand.

It is my belief that it is regional integration – while maintaining diversity – which has brought peace and prosperity to Europe and I am convinced that it can help bring stability and development elsewhere, including in the Pacific islands. We have a unique experience in Europe, which we are happy to share with others.

The Economic Partnership Agreement (EPA) under negotiation between the EU and the Pacific ACP countries offers a unique opportunity to take a step in this direction. We consider the EPA as a development instrument *per se*, because it implies the reforms necessary for stability and economic growth and therefore of poverty reduction.

Under the 9th EDF, we have supplied the Pacific ACP countries with a significant part of the financial and technical assistance needed to integrate among themselves and progressively into the world economy.

Beyond trade capacity, our programmes also tackle supply-side responses in key sectors such as fisheries, tourism and human resource development and we therefore look forward to the successful conclusion of Pacific EPA negotiations.

But, as from now, it is possible to anticipate that the Pacific EPA will almost certainly provide opportunities to the Pacific ACP countries in the areas of services and sustainable fisheries. That is why **€ 76 million** allocated to the regional indicative programme under the 10th EDF specifically targets the **management and conservation of natural resources** and the **development of human resources**.

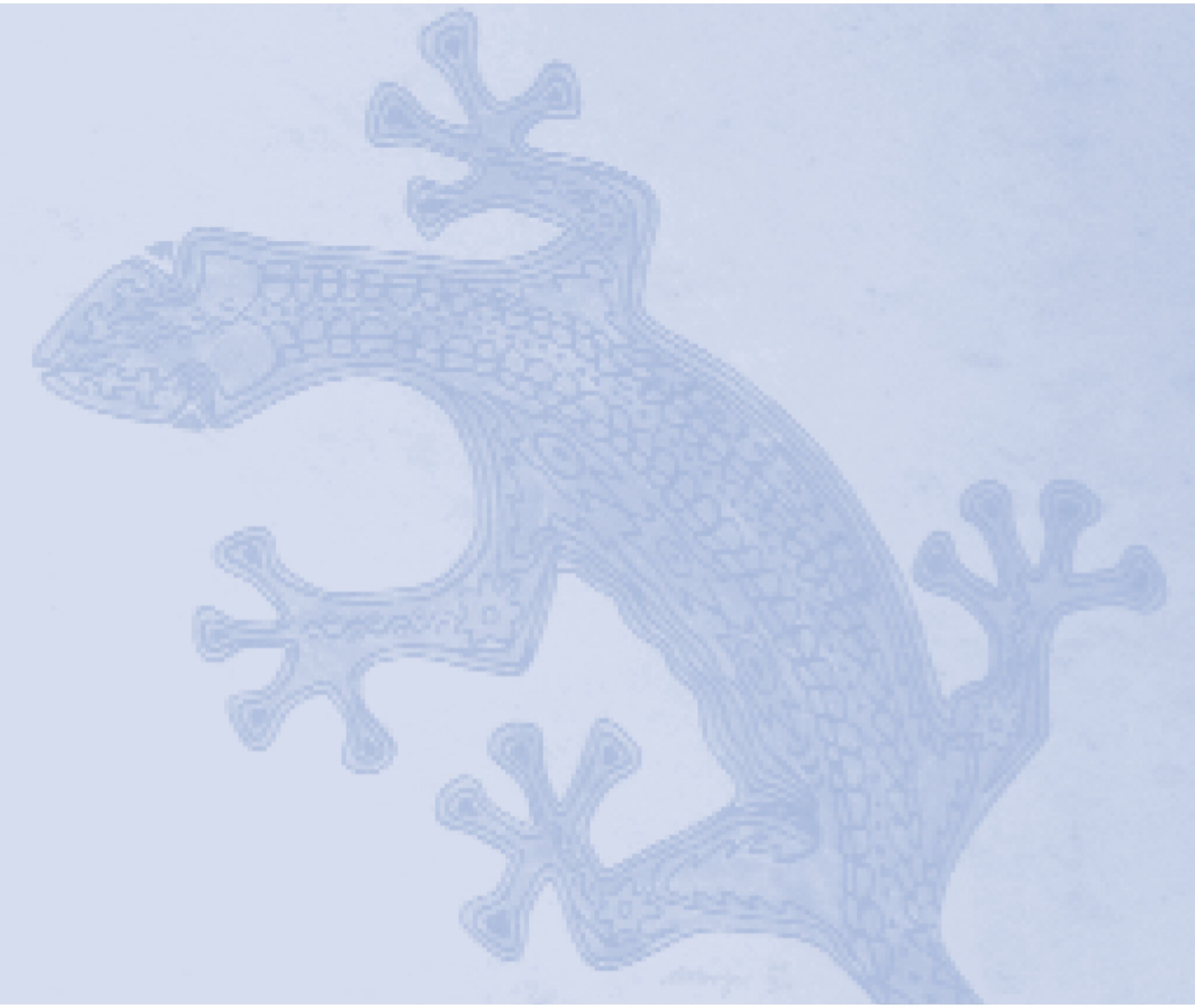
These themes will be amplified or complemented in National Indicative Programmes with actions aimed at trade facilitation and promotion, rural development, renewable energy and education.

Last but not least, there is the very important role played by the Pacific French and British overseas countries and territories (OCT) which contribute and participate in many ACP regional programmes, notably through the Secretariat of the Pacific Community (SPC). With their purchasing power and their excellent human and physical assets, these OCT offer other Pacific islands a bridgehead to the European Union and the rest of the world, helping to break the vicious circle of isolation in a mutually beneficial way.

Put in a nutshell, the European Union sees a *Pacific island community* which, whilst treasuring its diversity, is open to the rest of the world.

Over the last 30 years, the EU has contributed € 2billion to the development of the Pacific ACP countries and has set aside an important financial package for the period 2008-2014, plus an OCT allocation yet to be determined. Even taking into account the increasing number of countries since our cooperation began, this constitutes by far the highest per capita assistance by the EU to any ACP region.

The European Union is therefore proud of its commitment to the Pacific islands and intends to continue to stand by them as they plot their collective way forward.



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Preface

Development policy is at the heart of EU external actions, focusing on the primary goal of poverty reduction and the achievement of the Millennium Development Goals. The EU provides 55% of world development aid and is a major donor in the Pacific.

An open political dialogue is necessary to achieve sustained results on developments issues. The future strategy, agreed between the EU and its partners in the Pacific, aims at increasing political dialogue, at providing more focused cooperation and at enhancing the effectiveness of aid delivery. The "blue-green" theme that pervades the strategy draws particular attention to the sustainable management of natural resources, tackling global environmental challenges head-on.

The EU has set aside € 293 million for programmes in the Pacific between 2008 and 2013. The funds are subject to a 25% increase if countries demonstrate clear commitments to good governance.

Small, remote and vulnerable to natural disasters, the Pacific islands face numerous challenges. Building stronger political relations with the Pacific and supporting governance as a critical building block for stability, security and sustainable development in this geographically vast region which is well endowed with natural resources is a prime objective of the European Union.

We want to enhance effectiveness and efficiency by focussing on specific areas through multi-country programmes. Concentrating aid on a few priority sectors makes optimum use of limited human and financial resources. Moreover, the risk of spreading aid too thinly is very real for many Pacific Islands. Instead, we plan to highlight a common programme to maximise our impact and to trigger Regional integration.

Regional economic integration is fundamental for the Region to prosper and to harness the advantages of shared values and a common purpose. With this in mind, we plead for a Regional Economic Partnership Agreement between the EU and the Pacific Region, a possibility which was already foreseen in the *Cotonou Agreement*, signed by all partners in 1999.

We have two Delegations in the Pacific, one based in Suva, Fiji, and one based in Port Moresby, Papua New Guinea. Over the past years they have expanded not only in numbers of staff, but also in outlook, emphasising political dialogue as well as a comprehensive development programme. The European Commission has devolved most aid management to its Delegations in the field, and the pace of aid delivery has been substantially increased.

We are pleased to be in a position, through this publication, to share with the readers some facts and information and images about what we are doing in the Pacific. We have a very challenging development assistance programme, reflecting the importance of the whole region for the European Union. We are striving to assist the peoples of the Pacific in fulfilling their potential and achieving economic independence and social cohesion, just as the EU and its citizens have done over the past fifty years of Regional integration in Europe.

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PART I

INTRODUCTION

Europe's historical footprints in the Pacific are constant reminders of its long association with the region. Citizens of Spain, France, Germany and the UK have made indelible marks on the civilisations of the Pacific peoples. Although the end of the Second World War saw a reduction in Europe's influence, the emergence of the European Community in the early 1960s marked a new era of partnership and co-operation.

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

In 1975 the European Community signed a co-operation agreement – the Lomé Convention – with a group of independent African, Caribbean and Pacific (ACP) countries that included Fiji, Tonga and Samoa. In the next five years, Papua New Guinea, Solomon Islands, Tuvalu, Kiribati and Vanuatu joined the ACP group on gaining independence.

The signing of the ACP-EU Partnership Agreement in Cotonou in June 2000 (the Cotonou Agreement) has brought the number of the Pacific ACP (PACP) countries from eight to 14 to include four Central Pacific Micronesian countries – the Republic of the Marshall Islands, the Federated States of Micronesia, the Republic of Nauru and the Republic of Palau – and two South Pacific Polynesian countries – Cook Islands and Niue.

As signatories to the Cotonou Agreement these 14 Pacific ACP states are entitled to a number of trade and aid advantages in their EU relations, together with the Overseas Countries and Territories (OCTs) of France (New Caledonia, French Polynesia,Wallis and Futuna) and the United Kingdom (Pitcairn).

On the trade side, the EU continues to offer preferential access to the PACP under the Everything But Arms Initiative (EBA) and the Cotonou Agreement and represents an important market for exports. Overall, the trade balance is very much in the PACP's favour. Special arrangements for sugar (through the Sugar

Protocol) and compensation for losses on exports of other commodities (through the former Stabex scheme) have significantly helped Pacific foreign exchange receipts over the years.

The EU has provided a substantial programme of financial and technical co-operation: some € 1,330 million has already been transferred to the PACP countries and OCTs over the last 20 years, amounting to one quarter of all assistance. Another € 400 million is planned over the next five years.

The importance of EU-Pacific relations is confirmed by the permanent presence in Brussels of Pacific ambassadors, representing Fiji, Papua New Guinea, Samoa, Solomon Islands, Cook Islands and Niue. Representatives of Vanuatu, Marshall Islands and Palau are also based in Brussels. The EU maintains two Delegations, in Fiji and Papua New Guinea, three Offices in the PACP countries (Solomon Islands, Vanuatu and Samoa) and one Office to the OCTs (New Caledonia).

	LAND AREA (Km^2)	NUMBER OF ISLANDS	EEZ (Km^2)	POPULATION 2000 est.	DENSITY (Km^2)	Human Development Index	Human Poverty Index
COOK ISLANDS	240	15	1,830,000	19,449	81.0	0.822	6.1
FIJI ISLANDS	18,272	332	1,260,000	799,265	43.7	0.758	8.5
KIRIBATI	690	28	3,600,000	84,422	122.4	0.515	12.7
MARSHALL ISLANDS	170	34	2,131,000	51,665	303.9	0.563	18.7
FEDERATED STATES of MICRONESIA	700	607	2,978,000	117,644	168.1	0.569	26.7
NAURU	24	1	320,000	12,514	521.4	0.663	12.1
NIUE	259	1	390,000	1,800	6.9	0.774	4.8
PALAU	487	200	600,900	19,485	40.0	0.861	10.8
PAPUA NEW GUINEA	462,840		3,120,000	5,099,200	11.0	0.535	52.2
SAMOA	2,857	2	120,000	169,889	59.5	0.715	8.6
SOLOMON ISLANDS	28,446	6 Main islands	1,630,000	416,195	14.6	0.622	49.1
TONGA	699	169	700,000	98,840	141.4	0.647	5.9
TUVALU	26	9	757,000	9,900	380.8	0.583	7.3
VANUATU	12,189	80	680,000	189,712	15.6	0.542	46.4

Sources: Secretariat of the Pacific Community UNDP Pacific Human Development Report (2002)

The European Union

United in Peace and Prosperity

The process of European integration has been marked by constant progress and change ever since the European Coal and Steel Community (ECSC) was founded in 1952. The ECSC was designed to be the foundation for lasting peace and prosperity in a continent divided by its diversity as well as different political and economic systems.

A Foundation for Peace

The founders of the European Union, Robert Schuman and Jean Monnet, were determined to build a strong, regional union out of the ashes of two world wars.

'World peace cannot be safeguarded without the making of creative efforts... A united Europe was not achieved and we had war.' The Schuman Declaration, May 1950.

'To build Europe is to build peace. Our nations today must learn to live together under common rules and institutions freely arrived at.' Jean Monnet, August 1952.

The EU is the result of a process of deep regional co-operation and integration that began in 1951 between Benelux (Belgium, the Netherlands and Luxembourg) and grew to include Germany, France and Italy. After nearly 50 years of political, economic and social cooperation, the EU expanded to include 25 Member States. Today, the EU includes countries from Central and Eastern Europe as well as the Mediterranean.

The European Single Market is based on four freedoms – the free movement of people, goods, services and capital. This is the foundation for building economic strength, political coherence and social cohesion across the region. Today, foreign trade, agriculture, fisheries transport and other sectors of the economy are governed by common policies.

The main objectives are to:

- promote economic and social progress within a regional context;
- assert the identity of the EU on the international scene (through European humanitarian aid to non-EU countries, the common foreign and security policy, action in international crises, common positions within international organizations);
- introduce European citizenship (which does not replace national citizenship but complements it by civil and political rights for European citizens);
- develop an area of freedom, security and justice (linked to the internal market and more particularly the freedom of movement of persons);
- maintain and build on established EU law (all the legislation adopted by the European institutions, together with the founding treaties).

The Institutions

The EU is governed by five main institutions that reinforce the four freedoms and build upon the founding principles. The institutions are the expression of the will to create an ever-closer union of the peoples of Europe based on shared political responsibilities. The Commission proposes, the Parliament advises, the Council of Ministers decides, the Court of Justice rules and the Court of Auditors ensures transparency. As the EU responsibilities have broadened, the institutions have grown larger and more numerous. They work closely together in constructive co-operation for the benefit of all citizens and are supported by: The Economic and Social Committee, The Committee of the Regions, The European Central Bank, The European Ombudsman and The European Investment Bank (EIB).

The European Commission

As the EU's executive body, the European Commission works in close partnership with the other European institutions and with Member State governments. Although the Commission has the right of initiative, all the major decisions on important legislation are taken by the Ministers of the Member States in the Council of the European Union, in co-decision or consultation with the democratically elected European Parliament.

The Commission's task is to ensure the EU is attaining its goal of an ever-closer union of its members. It must also ensure that the benefits of integration are balanced between countries and regions, business and consumers and among European citizens. It works closely with the EU's two consultative bodies, the Economic and Social Committee and the Committee of the Regions.

President Barroso and the European Commission

It proposes legislation, acts as the guardian of the EU treaties to ensure legislation is correctly applied and functions as the executive body responsible for implementing and managing policy. It also manages the Union's annual budget, which amounted to some € 116,41 billion in 2008, and provides Regional and Structural Funds, whose main purpose is to even out economic disparities between the richer and poorer Member States or regions. It also negotiates and implements trade and cooperation agreements with third countries and groups of countries.

The European Commission consists of a President chosen by the EU Heads of State and 27 Commissioners nominated by the Governments of the EU Member States with the approval of the Commission President and subject to a collective vote of approval by the European Parliament.

There are 41 Directorates-General (DGs) and Specialised Services with specific portfolios. The Commissioners are responsible for the DGs, which report to them, with each Commissioner having the responsibility for one or more.

The Commission's scope and responsibilities have broadened to include flanking policies to the Single Market, such as environment, education, health, consumer affairs, external affairs, the development of trans-European networks in transport and communications, R&D policy, culture and economic and monetary union. It also has important responsibilities for aid and development programmes in third countries.

Largest Trading Bloc in the World

The EU's single market, comprised of some 500 million consumers with more purchasing power than the US, makes it the largest trading block in the world. The EURO has made this trading block more competitive and stronger both economically and politically on the global stage.

The EU determines the legal framework for international trade

- Domestic and international trade laws
- Tariffs
- Competition law, acquisitions and mergers
- Product standardisation
- Environmental regulations
- Intellectual property rights – patent, trademark
- Bookkeeping, accounting rules, financial disclosure

The Single Currency

The EURO is the official currency of European Union Member States, with the exception of the UK, Denmark and Sweden. On 1 January 2002, EURO coins and notes came into circulation. The EURO is the anchor of the Economic Union and completes the Single Market.

Through agreeing to a single currency Member States have put aside national concerns to enter into a Stability Pact, a commitment to adhere to conditions that ensure price stability across the Union and a level playing

The advantages of a single currency include:

- increased transparency;
- no costly exchange rate fluctuations;
- lower transaction costs;
- simplified accounting procedures;
- simplified cost-price comparisons;
- reduced multiple currency cost management;
- more intra-EU competition, which creates a more favourable business environment.

The EU single market, unified by a single currency, brings with it reduced trade barriers, reduced risk and a more competitive market environment.

European Union Member States

Austria
Belgium
Bulgaria
Cyprus
Denmark
Estonia
France
Finland
Germany
Greece
Hungary
Ireland
Italy
Latvia
Lithuania
Luxembourg
Malta
Netherlands
Poland
Portugal
Romania
Spain
Slovakia
Slovenia
Sweden
The Czech Republic
United Kingdom

Enlargement

Enlargement is one of the EU's most powerful policy tools. The pull of the EU has helped to transform Central and Eastern Europe into modern, well-functioning democracies. More recently it has inspired far-reaching reforms in the candidate and potential candidate countries. All European citizens benefit from having neighbors that are stable democracies and prosperous market economies. Enlargement is a carefully managed process which helps the transformation of the countries involved, extending peace, stability, prosperity, democracy, human rights and the rule of law across Europe.

Future enlargements will concern the countries of south-eastern Europe. These countries are at various stages on their road towards the EU.

Croatia, the former Yugoslav Republic of Macedonia and Turkey are candidate countries. They are pursuing accession negotiations.

All the other Western Balkan countries are potential candidate countries: Albania, Bosnia and Herzegovina, Montenegro, and Serbia including Kosovo under UN Security Council Resolution 1244. The EU has repeatedly reaffirmed at the highest level its commitment for eventual EU membership of the Western Balkan countries, provided they fulfill the accession criteria.

The EU has set up the European Agency for Reconstruction, which is responsible for the management of the main EU assistance programmes in the Republic of Serbia (including UN-administered Kosovo), the Republic of Montenegro and the former Yugoslav Republic of Macedonia. Moreover, a new Instrument for Pre-Accession (IPA) aims to provide targeted pre-accession assistance both to candidate countries and to potential candidates.

Justice, Freedom and Security

The European Union is an area of freedom, security and justice. This means that throughout the EU

- people – European citizens – should be free to do and say what they wish, to live and work where they like, to travel when and where they wish and to set up and run shops and businesses where they wish,
- they should be safe from state persecution and from criminals,
- and they should enjoy the privileges, protection and obligations of living under the rule of law.

These values – freedom, security and justice – are interlinked and balanced, as freedom loses much of its meaning if it cannot be enjoyed in a secure environment and if it is not backed up by a fair and smoothly functioning legal system.

The EU's Common Foreign and Security Policy

Global and regional crises and challenges, coupled with developments within the EU, have made new demands on the region's external activities. As a result, in 1993, the EU laid the groundwork for a Common Foreign and Security Policy (CFSP), further building upon Europe's solidarity.

A Common Security and Defense policy has been added to the CFSP framework. Its objectives are: preserving peace and strengthening international security in accordance with the principles of the UN Charter, promoting international cooperation and developing democracy and the rule of law as well as respect for human rights and fundamental freedoms.

EU External Relations

The EU has demonstrated that regional integration promotes equitable distribution of prosperity and regional stability. It is perhaps the most powerful tool countries can use to meet the economic and social challenges of globalization. In its relations with other countries, the EU seeks to encourage sustainable world trade and equitable economic development.

The EU is focusing on the objective to reduce – and eventually eradicate – poverty. Aid and development assistance is a powerful catalyst for change and is helping to create conditions in which the poor are able to raise their incomes and to live longer, healthier and more productive lives. At the heart of this process is the beneficial integration of the developing countries into the world economy.

The past 50 years have been marked by some remarkable successes as well as failures in development assistance. The EU is determined to build upon these successes and recognizes that assistance is most effective when recipient countries are the drivers of their own reform and institutional development.

The External Relations DG is housed in the Charlemagne building in Brussels, Belgium

A Powerful Global Voice for Change

Europe has reached a turning point in the way it relates to the rest of the world and as a result, is determined to achieve its potential to be a meaningful force for positive global change. To this end, the EU is also determined to create an environment in which civil society can flourish.

This involves collaborating with civil society and social and economic actors in all areas of external co-operation to realize development objectives.

Ownership, partnership and accountability are at the core of its development programme. It is supporting governments in developing poverty reduction strategies and is strengthening the voice of developing countries in international institutions.

The European Commission plays a key role in implementing the EU's foreign and other policies, working through its 128 Delegations and Offices around the world. They are gradually being strengthened so that EU external assistance can be delivered more effectively.

EU national governments are powerful stakeholders in the G8, the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank and the United Nations.

Working in Partnership

The EU provides about 60% of global aid, taking together the European Commission-managed multilateral programmes and the bilateral programmes of Member States. The European Community spends € 6.8 billion annually in assistance and is also the largest donor of humanitarian aid in the world.

In many instances, the EU is the developing countries' main trading partner. It represents the single biggest market for imports and exports, more than twice the trade between developing countries and the US, Japan and Canada put together.

Within the Commission's external relations architecture, Directorate-General Development closely co-operates with other Commission Services, in particular the External Relations Directorate-General, the Common Service for External Relations (EuropeAid) and the European Community Humanitarian Aid Office (ECHO). It has also very close links with the Directorate-General for Trade. Community development cooperation is co-ordinated with Member States' policies and, as far as possible, with major international donors, such as the World Bank.

The ACP-EU Conventions are an innovative model of international cooperation based on equal partnership and a contractual relationship, aid and trade, mutual obligations and joint institutions to ensure a permanent dialogue.

Trade relations

Together with development policies, economic co-operation and trade policy form the main pillar of the EU's relations with the rest of the world, providing for a comprehensive approach to enable developing countries to integrate into the world economy.

Humanitarian aid

The Humanitarian Aid Office of the European Commission (ECHO) was created in 1992 with the mandate to provide emergency assistance and relief to victims of natural disasters or armed conflict outside the EU. Working through national and regional partners, the initial response involves providing essential relief such as food aid, emergency non-food packages, medical care, temporary shelters, rehabilitation of water and sanitation systems, as well as epidemiological surveillance.

Food security

The European Commission is redoubling its efforts to tackle hunger as part of its overall development policy. Previously, policy focused on increasing food supply through providing food aid and support to local production. Today, it is recognized that food insecurity is caused by unavailability as well as by lack of economic and physical access to food, due to the weak purchasing power of poor and rural households. Strategies to fight poverty and food insecurity focus on supporting poor and vulnerable groups. The EC overhauled its food security policy to integrate it with the objectives of sustainable development and the fight against poverty. An annual amount of € 500 million is allocated to the EC food security budget line.

Everything But Arms – A World First

The Everything But Arms (EBA) initiative launched in February 2001 allows the world's 48 poorest countries full duty-free, quota free access to the EU for all products except arms. This initiative makes the EU the world's first major trading power to commit itself to opening its market fully to the world's poorest countries and sends a signal to the rest of the world that Europe believes the most disadvantaged should share the fruits of trade liberalisation.

Duty and quota elimination for essentially all products took effect in March 2001.

The EU-ACP partnership agreement – Cotonou

Following 25 years of four successive Lomé Conventions (the fourth with two financial protocols), the 20-year Cotonou Agreement, signed June 2000, was an innovative framework for a deeper partnership with a view to facilitating economic development and addressing – together – the major challenges of poverty, conflict and war, environmental degradation and risks of economic and technological marginalisation.

Cotonou represents a milestone in the objectives, the ways and means to achieve them and the nature of the partnership. It makes a clear association between the political dimension, trade and development and partnership, based on clearly defined performance criteria. In this framework, from the European Development Fund (EDF), the EU provides assistance to 77 African, Caribbean and Pacific (ACP) countries, and to Overseas Countries and Territories (OCTs).

The Cotonou Agreement was revised for the first time in 2005. It builds on the acquis of thirty years of experience. The revision process has been handled in accordance with Article 95 of the Cotonou Agreement, which allows for the content of the agreement (except those provisions concerning economic and trade cooperation) to be adapted every five years. The revised Cotonou Agreement covers a wide range of issues, including provisions for enhanced political dialogue and references to the fight against terrorism, cooperation in countering the proliferation of weapons of mass destruction and the International Criminal Court (ICC).

ACP-EU development co-operation shall be pursued through integrated strategies that incorporate economic, social, cultural, environmental and institutional elements that should be locally owned. It shall thus provide a coherent enabling framework of support to the ACP's own development strategies, ensuring complementarity and interaction between the various elements.

The new trade regime envisaged by the Cotonou Agreement represents a radically different perspective for ACP partners. To promote sustainable development and the eradication of poverty, ACP and the EU have agreed to conclude WTO-compatible trade agreements that will progressively remove barriers to trade between them and enhance cooperation in all areas relevant to trade. This commitment has taken the form of negotiations on Economic Partnership Agreements (EPAs) started in September 2002 and concluded in December 2007.

Reducing and Eventually Eradicating Poverty

The ACP-EU Partnership is centered on the objective of reducing and eventually eradicating poverty, consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy.

Political dialogue and reinforced participation

Dialogue is a key element in the success of development co-operation activities and is at the heart of the ACP-EU relationship. It is conducted within and outside the institutional framework at national, regional or ACP level, in order to encourage the introduction of all sections of society, including the private sector and the civil society organizations, into the mainstream of political, economic and social life.

Respect for all human rights and fundamental freedoms, democratic principles, good governance and the rule of law are essential elements of the partnership and transparent and accountable governance is an integral part of sustainable development. A participatory approach, by including civil society and economic and social actors in the ACP-EU partnership, will help define strategies and priorities that were previously the exclusive jurisdiction of governments.

Conflict prevention and peace building

An active, comprehensive and integrated policy of peace-building and conflict prevention remains a major element of a sustainable development strategy.

The EU was the first major donor to debate the role of conflict prevention in development policy. The Cotonou Agreement provides for a strategic approach to tackle root causes of conflicts. The provisions include measures aimed at balancing political, economic, social and cultural opportunities within society to help prevent conflict and support peace building efforts.

Provisions for Island States

Specific provisions and measures have being foreseen to support Least-Developed Countries, Landlocked and Island ACP States (LDLICs). In regard to the latter, they are directed at supporting Island ACP States in their efforts to overcome the natural and geographic difficulties hampering their development.

A new spirit of development co-operation

The Cotonou Agreement defines a general strategic framework reflecting international commitments and simultaneously taking into account the political, economic, social, cultural and environmental components of development. Co-operation strategies will reflect international commitments. Priorities are established on a country-by-country basis and focus on poverty reduction. Development strategies promote local ownership of economic and social reforms.

Under past Lomé Conventions trade co-operation was based on generous preferential tariffs. The Cotonou Agreement aims to support the mutually reinforcing effects of economic and trade co-operation and development aid. The objective of integrating the ACP countries into the global economy involves enhancing production, supply and trading capacity as well as increasing ACP capacity to attract investment, to formulate strong trade and investment policies, and to handle all issues related to trade.

Economic Partnership Agreements (EPAs), integrated with development assistance including Trade Related Technical Assistance, will progressively remove barriers to trade between the ACP and the EU and enhance co-operation in a wide range of trade-related areas.

The EU's development co-operation gives great importance to regional integration and co-operation. It is based on the principle that this approach fosters economic and social development, raises and locks in improved governance as well as promotes stable and peaceful relations among nations. It also enables countries to meet cross-border challenges, particularly in the area of the environment and the management of natural resources.

The EU's political and financial weight enables it to participate in improving the macroeconomic framework of ACP partner countries. This involves policies and institutional framework for fiscal balance, debt sustainability and external economic and trade balance as well as for encouraging competition and private sector development.

Efficient transport systems are essential to economic and social development and to access to basic social services. The involvement of partner countries is a condition of the sustainability of these efforts. Eliminating hunger and malnutrition is a cornerstone of sustainable development. Poverty remains the principal challenge for feeding the world's population in a sustainable manner. Food security and sustainable rural development are fundamental to the EU's anti-poverty strategies.

Co-operation shall pay systematic attention to institutional aspects and will support the efforts of the ACP States to develop and strengthen structures, institutions and procedures. The objective is to help to promote and sustain democracy, human dignity and social justice and pluralism, the full respect of human rights and fundamental freedoms, to develop and strengthen the rule of law and the professionalism and independence of the judiciary and to ensure transparent and accountable governance and administration in all public institutions.

The ACP group

Founded in 1975 with the signing of the Georgetown Agreement, the ACP group is made up of 77 African, Caribbean and Pacific countries.

Institutions

The Council of Ministers: the supreme body with decision-making power. Member States are represented at ministerial level. The Council defines the broad outlines of the Group's policies and examines ACP-EU co-operation as well as intra-ACP matters.

The Committee of Ambassadors: composed of the ACP Ambassadors to the EU or their representatives, it assists the Council of Ministers and supervises the implementation of the Cotonou Agreement.

The ACP General Secretariat: co-ordinates the activities of the ACP institutions. It is located in Brussels.

The Instruments

The Cotonou Agreement has rationalized the wide range of instruments that existed under previous Lomé Conventions. Available grant resources to support long-term development are channeled through National and Regional Indicative Programmes (NIPs and RIPs). The Investment Facility, a revolving fund aimed at stimulating investment and strengthening the capacity of local financial institutions, is managed by the European Investment Bank.

Development finance co-operation is implemented on the basis of objectives, strategies and priorities established by the ACP partners at national and regional levels. This co-operation promotes local ownership and a partnership based on mutual rights and obligations. It recognizes the importance of predictability and security in funding and is flexible enough to address individual situations.

Each ACP country and region receives an indication from the European Community of the volume of resources available over a five-year period to finance activities included in the National or Regional Indicative Programmes. The access of non-state actors to these funds has improved with Cotonou. The resources available to non-state actors form part of the allocation granted to each ACP State or region.

Once a Country (or Regional) Support Strategy has been agreed, in consultation with the stakeholders, the EU Member States and bilateral and multilateral donors, it is implemented through a work programme. This programme serves as a blueprint for all ongoing and intended EC activities in the country or region, broken down by sector and by instrument and following a defined timeline.

To help alleviate the debt burden of ACP countries and their balance of payment difficulties, resources are provided to contribute to debt relief initiatives agreed to at international level. Support is provided for macroeconomic and sector reforms. Within this framework, the parties ensure that adjustment is economically viable as well as socially and politically feasible.

The agreement on additional support in case of fluctuations in export earnings recognizes a partner's vulnerability resulting from high dependence on export earnings from the sectors of agriculture and/or mining. Eligibility is linked to whether the loss jeopardizes overall macroeconomic stability and in principle will be used to finance the national budget.

Co-operation focuses on:

- social and economic sector policies and reforms;
- measures to enhance productive sector activity and export competitiveness;
- measures to expand social sector services;
- thematic and cross cutting issues.

Support is provided through sector programmes, budgetary support, investments, rehabilitation, training, technical assistance and institutional support.

A redefined policy framework on decentralized co-operation places the actors at the heart of development co-operation and supports programmes initiated by non-state actors. This approach funds programmes that support decentralization to foster the emergence of efficient systems of local governance, local development initiatives and political and social dialogue.

Recognizing the important role of markets and of the private sector as engines of economic growth, the Cotonou Agreement provides for an integrated approach that involves the private sector in most areas of ACP-EU co-operation. Emphasis is placed on building the capacities of representative private sector organizations to engage in this dialogue. Domestic and foreign investment is promoted through a support package in linked forms of investment: promotion at national and regional levels, finance and support, guarantees and protection.

Technical co-operation assists ACP partners in developing national and regional manpower resources and the sustained development of institutions critical for development success.

Economic and Trade Co-operation

Economic and trade co-operation builds on regional integration initiatives of ACP countries and takes into account their different needs and levels of development. The Cotonou Agreement aims at smoothly integrating the ACP States into the world economy by strengthening their production, supply and trading capacity. This involves increasing capacity to attract investment, formulating strong trade and investment policies and handling all issues related to trade.

Boosting ACP's WTO Presence

The funding in January 2002 (€ 1.45 million) of a Geneva-based office to help Pacific and Caribbean ACP countries boost their WTO presence was an important step towards fulfilling the EU's commitment to put development issues at the heart of multilateral trade negotiations.

The Pacific Islands Forum now has its own office, co-located with the Organisation of Eastern Caribbean States (OECS), to more effectively advocate the perspective of the small island developing states. In the context of the WTO's Doha Development Agenda Global Trust Fund, the EU and its Member States account for 63% (almost € 14 million) of the money recently pledged by WTO members for 2002 for assistance on WTO negotiations.

Highlights of the ACP-EU Agreement

The major innovations aim to:

- enhance the political dimension;
- explicitly address corruption;
- promote participatory approaches;
- involve civil society in the reforms and policies to be supported by EU;
- refocus development policies on poverty reduction strategies;
- base the allocation of funds not only on an assessment of each country's needs but also of its policy performance;

- create an Investment Facility to support the development of the private sector;
- rationalize instruments and introduce a new system of rolling programming; allowing the Community and the beneficiary country to adjust regularly their co-operation programme;
- decentralize administrative, and in some cases financial, responsibilities to local level with the aim of making co-operation more effective;
- improve the policy framework for trade and investment development;
- enhance co-operation in all areas important to trade, including new issues such as labour standards and the linkages between environment and trade.

Performance criteria:
- Progress in implementing institutional reforms.
- Country and regional performance in the use of resources.
- Effective implementation of current operations.
- Poverty alleviation or reduction.
- Sustainable development measures.
- Macroeconomic and sector policy performance.

Financial Resources of the ACP-EU Partnership Agreement

The European Development Fund (EDF), to which all EU Member States contribute, finances projects and programmes in the ACP States and the Overseas Countries and Territories (OCTs).

It is administered by the European Commission, with the exception of risk capital, administered by the European Investment Bank (EIB). Each EDF is supplemented by EIB loans. In 2007 the EIB opened an office in Sydney, Australia, to enhance co-operation with Pacific Island States.

Through the € 13.5 billion 9th European Development Fund (EDF) covering the Cotonou Agreement's first five years, the EU supported ACP governments:
- Long-term allocation: € 10 billion
- Regional allocation: € 1.3 billion
- Investment Facility: € 2.2 billion
- Remaining balances from previous EDF: € 9.9 billion
- EIB own resources: € 1.7 billion

The EU has in 2006 launched its 10th EDF totaling € 22.6 billion. The 10th EDF funds are available from January 1, 2008.

Economic Partnership Agreements (EPAs)

As part of the drive to achieve these objectives, non-reciprocal trade preferences will be replaced by WTO-compatible trading arrangements. EPAs are based on three principles: trade liberalisation (ACP partners will gradually open their markets to European products in a flexible way), regional integration (EPAs will build on and deepen ACP regional integration initiatives) and differentiation in accordance with the level of development (with special attention for Least Developed Countries).

EPAs have built in objectives such as integrating development assistance (including Trade Related Technical Assistance) and market access, but also pay attention to important global issues such as services, intellectual property, standardisation, sanitary and phytosanitary measures, labour standards and the environment.

Trade in Services

The EU and its ACP partners recognize the growing importance of services in international trade. Both parties observe their respective commitments under the General Agreement on Trade in Services (GATS) and underline the need for special and differential treatment to ACP suppliers of services. Particular attention is paid to services related to labour, business, distribution, finance, tourism, culture, construction and related engineering services with a view to enhancing competitiveness and increasing both the value and volume of trade in goods and services.

THE PACIFIC: A DIVERSE REGION BUILDS A FOUNDATION FOR CO-OPERATION

The 'Tyranny of Distance'

Scattered over a vast area of ocean, the countries and territories of the Pacific are victims of the 'tyranny of distance', which has been mitigated to some extent over the last quarter century by the increasing frequency of air connections and vastly improved telecommunications facilities. However, the Pacific islands are a long way from each other and from the rest of the world. Papua New Guinea is 4,500 km from Samoa and 8,000 km from French Polynesia. The Fijian capital Suva is 3,200 km from Sydney, Australia.

Similarly the distances within each country are often considerable. With the exception of Papua New Guinea, which is almost as large as Spain, land areas range from small to minuscule – the land area of the other PACP countries put together represents an area smaller than Ireland. The ocean area controlled through exclusive economic zones (EEZs) exceeds the land area of the US.

The total population of the region is about seven million with about two-thirds living in Papua New Guinea and population growth rates are high (close to 3% per annum in Papua New Guinea and Solomon Islands).

The region's climate, vegetation and produce are tropical. Subsistence farming and fishing are the mainstays of the majority of the economies. Sago, taro (a starchy edible root), coconut and fish form the staple diet and are the main sources of income in the rural areas. The coconut palm – the 'Tree of Life' – is omnipresent. Almost every country in the region produces and exports copra (though far less today), cocoa, coffee, bananas, timber, sugar, palm oil and tuna.

Papua New Guinea derives the bulk of its income from copper, gold and crude oil. New Caledonia also exports minerals. Tourism is another important source of revenue, especially for countries like Fiji where it a major foreign-exchange earner.

Most of the islands are vulnerable to natural disaster: Fiji, Tonga, Samoa and Vanuatu lie in the path of powerful cyclones. Tsunamis and volcanic eruptions occur regularly in Papua New Guinea. Others, such as the low-lying atolls of Kiribati, the Marshall Islands and Tuvalu, are threatened by the rising sea level due to climate change.

Vulnerable Island States

Remoteness, small markets and natural disasters are the greatest barriers to the region's economic development. These barriers create high transport costs that inhibit inter-island trade, increase the cost of providing administrative services and facilities such as schools and health centres, as well as restrain the expansion of the tourism industry.

As a result, the improvement of transport links and telecommunications is a priority for national and regional authorities. Another constraint, particularly in the atoll countries, is the low level of food production compared with modern levels of consumption, leading to a relatively high level of food imports. A scarcity of fertile land, combined with subsistence farming, artisan fishing methods and difficult market access compound the problem.

The region also suffers from a shortage of skilled labour and increasing urban migration, which has induced the majority of Pacific countries to emphasize human resource development in their development strategies.

Globalization Necessitates Stronger Regional Co-operation

The overarching issue facing the region is globalization. To address this, PACP countries agreed on a regional trade agreement (PICTA) to progressively establish a free trade area among them. This is a stepping-stone to wider liberalization in adjusting to globalization and facilitating integration into the global economy. It could also provide a framework for negotiating further trading arrangements with developed countries or regions, such as an EPA with the EU.

To ensure that the benefits of these steps are fully realized, the Pacific ACP have also agreed to address human resource development, thereby underpinning private sector development and improving the foundations of good governance and management of capital, natural resources and the environment. The sector where these benefits are most expected to impact and which has the most potential for revenue generation and economic growth is **fisheries**, which is why the sustainable development of this sector is critical.

The integration of Pacific economies amongst themselves and with the global economy through either regional arrangements or through the multilateral process requires assistance in a number of areas:

- implementing the reform measures necessary to accompany regional trade integration, especially to find alternative taxation systems to address revenue erosion resulting from integration;
- developing supply side capacities through the development of the private sector and strengthening government dialogue with it;
- harmonising trade facilitation policies and measures amongst Pacific ACP countries to support trade in the larger regional market.

Conflict – An Obstacle to Sustainable Development

PACP countries are democracies with varying human rights records. Ratings for political rights and civil liberties have generally been good and governments, with some exceptions, are relatively stable. Freedom of the press is a notable characteristic. However, in recent years conflicts have become an obstacle to sustainable development in some countries.

Development requires peace and peace requires development. In recognition of this continuum, development policy and co-operation have recently emphasized **conflict management and crisis prevention** as they can make a lasting contribution by promoting civil conflict management, projects on democracy and human rights, peace education and reconciliation.

Sustainable peace building was developed in post-conflict Bougainville/ Papua New Guinea where a workable cease-fire has held for several years and all parties have declared their intent to achieve a peaceful settlement. The EU is assisting the peace process with support to local communities for cocoa rehabilitation and road improvements.

In the Solomon Islands the EU has assisted peace building with a € 10.5 million post-conflict rehabilitation programme.

In Fiji, internal conflicts escalated in four military take over's in twenty years, the last one on 5 December 2006. Today, the EU is actively engaged in a process to re-establish democracy with a view to consolidating the rule of law and preventing further crises.

Uneven Levels of Social and Economic Development

Social indicators vary widely throughout the region, from impressive at their best and dismal at their worst. Secondary school attendance and adult literacy rates approach 100% in some countries while in others they plummet to 15%. Life expectancy is generally high – 60 years in Papua New Guinea and 72 years in Fiji.

Health facilities in the smaller, more fragmented island States are poor, however, and infant mortality rates are at their highest. The public sector tends to be disproportionately large compared to the tiny populations it serves. As a result, reform and capacity building are important components of most Pacific countries' development objectives.

Fiji, the most developed of the region's economies, has a GNP per capita of € 2,000. A number of other countries (Tonga, Samoa, Vanuatu) have either graduated or are close to graduating from the UN list of Least Developed Countries. Others are significantly poorer. Their size and disadvantageous location make many among the most vulnerable in an increasingly globalized world. (need to check GNP and LDC data in this par)

Critical Environmental Issues

The region is characterized by great natural beauty that is seriously threatened by global warming, pollution and the impact of human activities. The very existence of certain atoll countries is threatened by **rising sea levels**. Increased volumes of non-biodegradable waste plague countries with limited land resources. All major developments require thorough environmental assessment. A spoiled environment in the Pacific would be both a national loss and a loss to the world.

Protecting the Ocean – An Invaluable Living Resource

Effective management of ocean resources and the threat confronting coastal areas are major challenges. To meet them will require greater regional collaboration at all levels. Related to these challenges are the management of the tuna fisheries and the establishment of an effective regulatory framework for seabed mining, for the vast expanse of ocean surrounding the Pacific Islands is rich in fish as well as in seabed minerals.

PACP countries' declared Exclusive Economic Zones (EEZ) cover 20 million km^2 and harbour the richest tuna fishing grounds in the world. A third of the world's tuna catch is caught here, valued at € 2.0 billion in 2001. Most tuna are caught by distant water fishing fleets that pay coastal states licence fees for the right to fish in the EEZ. Although they represent just 3-4% of the total value of the catch, the fees are a significant source of revenue.

Licence fees contribute significantly to the public revenue of Kiribati, Tuvalu, the Federated States of Micronesia and the Marshall Islands. In the Micronesian countries licence fees generate 30-60% of the total revenue; in Kiribati this figure has reached as high as 81% in recent years. To benefit from added value and to create employment, Papua New Guinea, Fiji, Solomon Islands, Samoa, French Polynesia and to a lesser extent Kiribati, are developing local processing and national fleets.

Where foreign fishing vessels regularly call at local harbours additional benefits spin-off in the local delivery of goods and services. However, only about one-fifth of the tuna catch is processed within the Pacific island countries. Poaching is estimated to be as high as 40% of the total annual catch of one million metric tonnes.

Management of the tuna fisheries poses particular challenges. They are as yet unexploited and offer substantial long-term economic opportunities. However, the resource can only be sustained if it is effectively managed to avoid over-fishing and stock collapse. Short-term benefits include food, employment and income generating activities. Direct and indirect tuna-related employment is estimated at between 21,000 and 31,000 people (6-8% of all wage employment). The current value of tuna caught annually represents about 10% of the combined GDP of all the nations and a third of all regional exports.

A World First

Because tuna are highly migratory, management requires close regional collaboration. Pacific Island countries and distant water fishing nations (DWFN) have in recent years negotiated a new regional convention to manage and conserve the tuna resources of the Western and Central Pacific.

The Convention for the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean was signed September 2000. A world first for the management and conservation of the tuna fishery, the Convention is an agreement between the region and DWFN concerning tuna fishing on the high seas and in EEZs with a view to achieving a long-term sustainable harvest. It took five years of long and difficult negotiations, but the Convention is viewed as a balanced compromise among stakeholders' interests.

Forests Under Threat

Tropical hardwood forests abound on the main island of Papua New Guinea and its island provinces. Botanically similar forests occur in Solomon Islands and Vanuatu on a smaller scale. Since independence governments in all three countries have attempted to implement effective resource management regimes, but in recent years logging has proceeded at rates well above the natural regeneration rate of the forests.

Deforestation and degradation in some countries serve as a stark reminder of the effect of ignoring the environmental and social costs of logging. Current methods make it unlikely that much of the forest will ever regenerate to valuable timber stands, while soil degradation is reducing the productive potential of the land and nearby reefs. Natural capital is being consumed with most of its value lost to overseas interests.

Logging for export began in the sixties and has accelerated over recent years. At current rates, harvesting cannot be sustained for much longer, however, the cessation of logging is likely to produce a significant drop in national income and output. Reforestation or regeneration of the forests will take 30 to 40 years in areas that have been carefully logged. In others there has been widespread damage with the result that reforestation or regeneration may take 45 to 200 years.

Significant under-reporting of volumes and values has reduced the returns in the form of royalties and export tax. No significant environmental analysis has been used to inform decisions on logging, despite available evidence from other parts of the world that indicates the costs can be substantial.

Although some countries have increasingly effective systems of forestry reserves, conservation areas and/or national parks to protect their forests, few have legislation or institutionalised programmes prohibiting the cutting or promoting the replanting, on a significant scale, of endangered tree species. This threatens both local and regional biodiversity, which is the economic and cultural backbone of many Pacific peoples.

New Members Bring the Region Closer Together

The signing of the Cotonou Agreement has led to an increase in the number of PACP countries from eight to 14. Newcomers include three Central Pacific Micronesian countries – Palau, the Federated States of Micronesia (FSM) and the Marshall Islands – former Spanish possessions later 'sold' to Germany. They passed over to Japan after the First World War and became American territories after the Second World War, after which they opted for independence and have a Compact arrangement with the US.

The other three newcomers have a history with EU member states. Nauru, which is also a central Pacific Micronesian country, was a German colony before the First World War. It was then administered by the UK, Australia and New Zealand during which time the country's extensive phosphate deposits were mined. For a short period, the Cook Islands and Niue, South Pacific Polynesian countries, were administered as a British colony. They were then transferred to New Zealand in a voluntary association arrangement. This has enabled internal self-government, with progressive autonomy in international relations leading towards eventual independence.

Their membership closes a gap in the EU's economic and political cooperation with the region. The Pacific Island peoples have seen their region divided by the metropolitan powers. The inclusion of the six countries in the ACP Group helps to bring the region together again. Their participation in a future Pacific Economic Partnership Agreement broadens the scope of the EU's regional cooperation endeavour.

Newcomers Under Cotonou

- The Republic of Palau
- The Federated States of Micronesia (FSM)
- The Republic of the Marshall Islands (RMI)
- The Republic of Nauru
- The Cook Islands
- Niue

A Young, But Strong Regional Structure

In terms of statehood the Pacific ACP are relatively young – regional linkages and co-operation were revitalized in 1995 when leaders of the Pacific Islands Forum (PIF) adopted a 25-year Forum Vision Statement for enhancing regional co-operation. This was followed by the Biketawa Declaration, which lays a foundation for regional political co-operation and creates a mechanism for regional conflict prevention and resolution.

The Vision Statement also served to strengthen the region's capacity to adapt to a rapidly changing international and regional economic and social environment. A number of national policy measures and regionally based activities were adopted, including endorsement of the preparation of a regional strategy designed to improve aid management and co-operation.

In 1996, leaders focused on the theme of Pacific Solidarity for the Common Good and delegated Forum Economic Ministers the responsibility of elaborating on and implementing the region's goals. The Forum Economic Ministers Meeting (FEMM) held annually since July 1997, reports to Forum by way of a consolidated Forum Economic Action Plan.

In 1997, after receiving the results of the first FEMM, Leaders agreed that the implementation of the Action Plan would require a strong commitment by all members to create a policy environment to encourage private sector development and enhance the competitiveness of their economies.

The Forum Economic Action Plan has also initiated or supported a range of other activities including economic governance, gender equality, environment and economics, economic and social statistics, developing an investor friendly legal and institutional environment, and land access policies for development.

In April 2004 Forum Leaders issued a Declaration with a common Vision to strengthen Regional Co-operation and Integration. In October 2005 Leaders endorsed the **Pacific Plan** which gives effect to this Vision.

Today, the region has a strong structure of nine organizations providing technical assistance and policy advice, led by the PIF and its Secretary General, who is also the Regional Authorising Officer.

Council of Regional Organisations in the Pacific (CROP)

The Pacific region consists of nine regional organizations whose core activities are funded by assessed contributions from member governments and are governed by bodies that reflect varying memberships. The South Pacific Board for Educational Assessment operates regionally.

To facilitate the cost effective use of regional resources, the Pacific Islands Forum in 1988 established CROP, comprising heads of the regional organizations. The PIF Secretary General is the permanent Chair and reports annually to the Pacific Islands Forum.

CROP has a mandate to reduce duplication and harmonize activities so as to optimize benefits for members. It has taken a proactive role focusing on managing policy advice, co-ordinating regional meeting arrangements, international representation and donor relations.

The Pacific Islands Forum (PIF)

The Pacific Islands Forum is the premier regional policy-making body of the self-governing states in the Pacific. Heads of government meet annually to develop collective responses to regional issues, including economic development. Established in 1971 as the South Pacific Forum until a name change in October 2000, it resulted from the desire to tackle common issues from a regional perspective and to enhance their collective regional voice so as to wield greater weight in the international community.

The Forum's membership has increased steadily since 1971 from the seven founding members (Australia, Cook Islands, Fiji, Nauru, New Zealand, Tonga and

Samoa) to include the Federated States of Micronesia, Kiribati, Niue, Marshall Islands, Palau, Papua New Guinea, Solomon Islands, Tuvalu and Vanuatu. New Caledonia and Timor Leste are admitted to the Forum in as observers.

The Forum has no formal rules governing its operations or the conduct of its meetings. The agenda is based on reports from the Secretariat and related regional organizations and committees, as well as issues members choose to raise. Decisions are reached by consensus and are outlined in a Forum Communiqué, which sets regional policies from which the Secretariat work programme is developed. Annual meetings are chaired by the Head of Government of the Host Country, who acts as Forum Chairman until the next Forum meeting.

In recent years, the Forum's stature as the principal channel by which Pacific countries express their collective views on international issues and maintain contact with countries and organizations outside the region has been increasingly recognized. In 1994, the Forum obtained observer status at the UN. The growing recognition of the Forum's international role is reflected in the development since 1989 of an **annual post-Forum dialogue** with selected non-regional actors. By 2001, with the admission of Malaysia, this had grown to ten parties (Canada, People's Republic of China, the EU, France, Japan, Korea, Malaysia, Philippines, the UK and the US).

The Forum Secretariat

The Forum's administrative arm – the Pacific Islands Forum Secretariat – is based in Suva, Fiji. The Secretariat originated in 1973 as the South Pacific Bureau for Economic Co-operation (SPEC), changing to the Forum Secretariat in 1988. It acts as the Secretariat for the Forum and is headed by the Secretary General who is responsible to the Forum and to the Forum Officials Committee, the governing body of the Forum Secretariat.

The Secretariat is funded by contributions from member governments and donors. Its objective is to service the annual Heads of Government meeting, to foster and promote Pacific regional co-operation, particularly on political, economic and trade issues as directed by the Forum, implement its decisions and respond to members' needs.

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 areas such as economics, trade, international relations and law.

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

Forum Fisheries Agency (FFA)

The FFA, created in 1979, reflects members' common interest to derive maximum economic benefit from their extensive marine resources. Its functions include providing technical assistance in the development of fisheries management policies and in negotiations on the issue of licences, collection of fees, and surveillance of zones; collecting and disseminating relevant information on prices, shipping, processing and marketing of fish and fish products; focusing on management procedures, legislation and agreements adopted by other countries within and outside the region.

The FFA, based in Honiara in the Solomon Islands, 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 UN conference. Other FFA goals include to:

- enable members to play an effective role in preparing for and participating in the Commission for the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean (the Tuna Commission) and discharging their obligations under the Convention for the Conservation and Management of Highly Migratory Fish Stocks in the Western and Central Pacific Ocean (the Tuna Convention);
- help members develop their tuna industry by making available policy, technical, financial and legal advice, assisting in human resource development, and raising public understanding of the industry;
- maintain the quality, substantially increase the amount, improve the accessibility and increase the use of technical information and reports produced by FFA;
- strengthen regional solidarity as the foundation for effective management of highly migratory fish stocks and participation in the Tuna Commission;

- enhance member country capacity to manage national tuna resources, develop and participate in domestic tuna industry, and play an effective role in regional tuna management.

Pacific Islands Development Programme (PIDP)

The objective of PIDP is to contribute to sustainable development through research, education and dialogue as well as advance cooperation and understanding between Pacific islands and Pacific Rim nations. It is based in Honolulu and has 22 members.

South Pacific Applied Geo-science Commission (SOPAC)

SOPAC, based in Suva, Fiji, was established in 1972 as a UN project for mineral prospecting in the South Pacific offshore areas. It aims to assist member countries in identifying, assessing and developing the mineral and non-living resource potential of the extensive marine resource jurisdiction as declared under the 1982 UN Convention on the Law of the Sea (UNCLOS).

It provides assistance to members in the key areas of: mineral and energy resource identification, promotion and development; environmental geo-science, including coastal zone and water resources management; human resource development in the geo-science field. SOPAC maintains an information technology unit, provides publication and library access and offers technical and field services for specific project work.

Secretariat of the Pacific Community (SPC)

The SPC, formerly known as the South Pacific Commission, was established in 1947 under the Canberra Agreement by the then six colonial powers in the region: Australia, France, the US, New Zealand, the Netherlands (since withdrawn) and the UK, as a contribution to the reconstruction of the region after the Second World War. Total membership is 27. SPC is the oldest and the largest organization in the region, integrating countries and territories not considered independent states.

In 1998, the former South Pacific Commission was renamed the Pacific Community to reflect that some of its Micronesian members are not in the South Pacific region. However, the old acronym SPC is still used. It is a technical, non-political organization that provides advisory and consultative service to its members and facilitates co-operation with other regional and international organizations with the aim of improving economic, social and environmental qualities of the region with an emphasis on activities in rural areas and at the grass roots level.

The change of name brought with it some reorganization. The SPC's work programme today consists of three main sectors: land resources (including agriculture and forestry), marine resources (coastal fisheries, oceanic fisheries) and socio-economic resources (community health programme, socio-economic programme, education and training programme and information/communication programme).

South Pacific Regional Environment Programme (SPREP)

SPREP 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 organizational autonomy separate from both the SPC and the Forum. Based in Apia, Samoa, its members include the 14 PACP countries and American Samoa, Australia, Commonwealth of Northern Marianas, France, French Polynesia, Guam, New Caledonia, New Zealand, Tokelau, US and Wallis and Futuna.

SPREP aims to promote co-operation in the South Pacific region and to provide assistance to its countries to protect and improve their environment and ensure sustainable development for present and future generations.

South Pacific Tourism Organisation (SPTO)

SPTO's aim is to provide services to its member countries and strengthen co-operation among regional organizations in the promotion and marketing of tourism.

University of the South Pacific (USP)

The University of the South Pacific was established in 1968 to provide higher education and training that reflects the social and political aspirations of the region. The main campus is located in Suva, Fiji. Samoa (Alafua) hosts the School of Tropical Agriculture and the Vanuatu campus is host to the Pacific Law Unit and the Pacific Languages Unit. USP has satellites in most of its 12 member countries and caters to more than 8,000 fulltime students. About 65% of senior staff comes from within the region.

Fiji School of Medicine (FSM)

The Fiji School of Medicine is one of the oldest educational institutions in the Pacific. Established in 1885 as the Suva Medical School (1885–1928), it was renamed to the Central Medical School (1929-1960) and finally changed to the Fiji School of Medicine in 1961. The core business of Fiji School of Medicine is the provision of training, education and research in health for Pacific Island Countries. The number of students in our courses has increased from 769 in 2002 to 1476 in 2005. Currently, the School offers courses for Certificates, Diplomas and Degrees in a wide range of disciplines within medicine, dentistry, health science, public health and allied health.

In 2006, the FSM opened a new campus in Suva, funded by the European Union, with student accommodation, a cafeteria, a teaching block and an information resources centre (computers, library). It is also the newest CROP member.

Ongoing Dialogue with Other Regions

Within the Forum structure there are strong elements of common policy co-ordination and mutual support in international forums with Australia and New Zealand. In addition, some other developed countries – notably France, the UK and the US – are members of some of the regional organizations.

The Forum's annual meetings are followed by policy dialogues (the Post-Forum Dialogue) with development partners and others with common interests.

Many Pacific ACP countries are members of the Commonwealth and the UN. UN members maintain global links with Small Island Developing States (SIDS) through the Alliance of Small Island States (AOSIS). In addition, the Forum Secretariat maintains close links with CARICOM (Caribbean Community and Common Market) and the Indian Ocean Commission. Biennial meetings take place among the Heads of these organizations as well as caucusing at the fringes of international forums, such as WTO meetings.

The Doha Development Round launched in November 2001 involves Pacific ACP who are WTO members or observers, and indirectly affects other Pacific ACP through the need of WTO members to ensure that the obligations they enter into are compatible with their obligations.

The Forum has endorsed the Pacific Area Closer Economic Relations Agreement (PACER), which covers economic relations between the Forum Island countries and Australia and New Zealand. Provisions include the continuation of the South Pacific Area Regional Trade and Economic Co-operation Agreement (SPARTECA).

Strengthening Trade Linkages

Statistics reveal that intra-regional trade among the 14 PACP represents 2% of total trade, although it has been rising very gradually in recent years from a very low base of 1% in 1995. This is due primarily to the fact that most of the goods produced duplicate goods produced in other PACP countries. Compared with other ACP regions, this has less to do with tariff and non-tariff barriers and more to do with relatively weak cultural links and individual states' isolation in an ocean environment.

There have been significant shifts in trade patterns over recent decades, including a wider range of exports being distributed globally and increased imports (either direct or as re-exports) from the larger and more diversified economies, such as Fiji.

The value of developing inter-regional trade has been recognized in recent years and is reflected in the sub-regional trading relations established in July 1993 among the Melanesian countries of Fiji, Papua New Guinea, Solomon Islands and Vanuatu known as the Melanesian Spearhead Group (MSG), which also includes an OCT, New Caledonia. In 2000, the MSG agreed to begin moves towards a customs union.

The regional trade agreement, PICTA, came into force in 2002, when the ten signatory countries started to open up to free trade. In addition, the Marshall Islands, the

Federated States of Micronesia and Palau maintain Compact agreements, covering trade, development assistance, economic and migration relations with the US.

As far as relations with the EU are concerned, the implementation of the Everything But Arms Initiative (EBA) already grants unrestricted market access for all products from the region's five LDCs (Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu) with the only temporary exceptions being bananas, rice and sugar. Fiji has been a major beneficiary under the preferential Cotonou Sugar Protocol (an average of € 50 million annually) but is in the process of restructuring the sector to maintain its competitive market position in response to changes to the Common Agricultural Policy, the Sugar Protocol and the wider market opening resulting from the EBA initiative.

Domestic Policy Challenges

Pacific ACP small island developing states will need considerable assistance to pursue their priorities. However, it will also be necessary to address the structural problems specific to small states, such as income volatility, difficulties in attracting the attention of investors and weak domestic capacity, both in the public sector and in commercial activities. To facilitate transition and attract private investment, specific domestic policy areas merit attention:

- countries must send clear signals that changes will occur in the direction of their trade policies and regulation and will not be postponed;
- the drop in import tariff revenues resulting from tariff reduction as part of import liberalization;
- flexibility in domestic markets should be encouraged to facilitate transformation of the productive structure;
- the unfinished structural reform agenda is large and must be tackled immediately.

The Pacific region has a number of characteristics that distinguish it from its African and Caribbean partners and defines a special co-operation with the EU. The most obvious is the great physical distance between the 14 PACP themselves and with Europe.

What distinguishes their remoteness from that of parts of Africa or the Caribbean is the huge expanse of ocean that separates and isolates the islands. The whole of the Caribbean Sea, for example, would fit into the EEZ of Kiribati. The Pacific Ocean is the most important influence on the social and economic activity of the islands and in its role as the home of the world's largest tuna fishery. The region has been the setting for the island countries' most successful efforts in co-operation, now extended to new negotiations over management of the EEZs and high seas.

Papua New Guinea is the geographical exception. As one half of the second largest island in the world and of the PACP countries, it shares a land border with Indonesia and is just across the Torres Strait from Australia. At the same time, it suffers from internal remoteness due to its extreme topography.

A further distinction is the considerably varied pattern of colonial and self-government that preceded independence. The great majority of the African and Caribbean ACP countries were formerly French or British colonies that gained independence in the 1950s or 1960s. The PACP countries (with the exception of Samoa, which gained independence in 1962) attained full independence in the 1970s and 1980s. Nor were the former colonial powers exclusively or primarily European nations.

Papua New Guinea and Nauru were governed by Australia; Samoa, Cook Islands and Niue by New Zealand, and the Micronesian countries by the US. Others, such as the Kingdom of Tonga, had been self-governing for decades. The transition to full independence was smooth and Pacific governments, with a few exceptions, remain stable.

This background has influenced the spirit of co-operation between Europe and the Pacific since the first Lomé Convention was signed in 1975. This mixture of histories has also affected patterns of migration and trade. Population growth rates in some PACP have generated considerable emigration, especially from the Polynesian and Micronesian countries to Anglophone countries of the Pacific Rim such as Australia, New Zealand and the US.

EU-Pacific co-operation continues, seeking to prevent conflicts, build autonomous government capacity, stimulate trade, improve health and educational facilities, as well as develop land and sea resources in a sustainable manner. PACP countries aim to achieve a universal development objective: the maximum possible degree of self-reliance.

PART 2

THE EU AND THE PACIFIC – A STRONG REGIONAL PARTNERSHIP

A History of Productive Co-operation

Co-operation began in 1975 with Fiji, Tonga and Samoa signing the first Lomé Convention. In the period 1975-2002 EDF resources allocated to Pacific ACP regional projects totaled some € 165 million. Regional financial instruments have consisted of Regional Indicative Programme funds (RIP), Lomé IV Trade Promotion grants, and one EIB loan amounting to € 2.7 million made under Lomé III.

During 1975-1980, EU assistance supported regional initiatives in telecommunications and human resource development (HRD). Lomé II (1980-1985) focused on developing regional transport, energy and telecommunication infrastructure and training, and support for areas of comparative advantage, notably tourism. Lomé III (1985-1990) extended infrastructure support in transport, energy and telecommunications, increased tourism development support and provided funds for the productive sectors of agriculture and fisheries.

Under the first financial protocol of Lomé IV (1990-95) the double strategy of alleviating natural resource constraints and of supporting sectors of comparative advantage continued, while new areas of intervention, mainly HRD and the environment, also received support. Lomé IV (bis) continued support to HRD and the sustainable development of natural resources.

Since 1975, the regional framework has strengthened significantly to the point where CROP agencies, given their proven capacity to deliver, are now the preferred delivery mechanism for EU regional assistance.

The EU Supports Regional Integration and Co-operation

Economically PACP countries are diverse in their resource endowment and stages of development. While policy approaches need to be tailored to specific national circumstances, at regional level the focus must be on shared or common resources. The main objective of the EU's Regional Support Strategy is to support the creation of a regional free-trade area (PICTA) as a stepping stone to wider global trade integration including the negotiation of an EPA with the EU and to foster regional economic integration and to develop the region's human and fisheries resources.

Regional economic integration is the best means to move towards successful integration into the global economy. Based on its own history, the EU has an advantage over other donors because of its experience with political, social and economic regional integration issues. Increased intraregional trade and investment as well as higher growth will be the main measures for success; € 9 million of the 9th EDF Regional Programme was earmarked for this sector.

HRD has been selected because it is a key element in all sectors and because it complements the fact that education and training has been selected by many countries as the principal area of concentration within their Country Strategy Papers. Improved exit performance, higher HRD indices and improved economic growth will be the main measures of success; € 8 million of the 9th EDF Regional Programme was earmarked for this sector.

The fisheries sector has been selected because, managed sustainably, it is the most important shared natural resource for long-term income generation. The EU contributes to the steps being taken by the region to ensure the conservation, exploitation and sustainable management of this resource: € 5 million of the 9th EDF Regional Programme was earmarked for this sector.

Marine Resources

Fish and minerals are the region's most important physical asset for economic development. All Pacific Forum countries have declared 200-mile EEZs: a marine environment that plays a fundamental role in the economies of these island nations. Sustainable management of marine resources is therefore at the top of the region's political agenda.

Oceanic Fisheries

Geography, the migratory nature of tuna and the need for strength in numbers when negotiating with DWFN have been the drivers of a regional approach to marine resource research and management. Pacific Island countries have management responsibility for the fisheries resources within their 200-mile zones, however, highly migratory fish species such as tuna move freely between these zones and the high seas areas outside the 200-mile zones. Uncontrolled fishing in these high sea pockets undermines national management measures.

The region's long-term objective is to develop compatible management regimes over the various national zones and the high seas in line with UN agreements. The EU supports this approach and has given € 21 million since 1975 (12% of total regional aid) to the FFA and the SPC in pursuit of their goals.

In 2001, the European Commission funded the Oceanic and Reef Fisheries Monitoring and Assessment Project (€ 10.5 million) being implemented by SPC. The aim was to conduct a comprehensive scientific survey of all coastal and oceanic fish stocks. The oceanic component will extend the work begun under the South Pacific Regional Tuna Assessment and Monitoring Programme.

Artisan Fisheries

Coastal fisheries sustain current livelihoods and food security in many of the smaller islands and are the main source of cash and subsistence for many rural communities.

Coral reef fisheries also exert a strong influence on the everyday lives of islanders yet there is a remarkable lack of hard information about the resources and communities find it increasingly difficult to maintain reef and lagoon fisheries at sustainable levels.

Seabed Mineral Resources

The region is rich in both near shore and offshore seabed mineral resources. The EU has provided technical assistance and equipment to SOPAC. Research has yielded interesting results for the fisheries and minerals sectors through a **seabed mapping** programme covering selected areas of the sea floor in the EEZ of the Solomon Islands, Vanuatu, Fiji and Tuvalu.

Progress in Agriculture and Rural Development

A four-year Development of Sustainable Agriculture Programme (DSAP) was launched in 2002 to increase sustainable agricultural production of families engaged in farming. This was accomplished by taking a participatory approach with farmers and rural communities for the identification and adoption or adaptation of technologies to solve the agricultural problems of farm families. The project has worked with the National Agricultural Research and Extension Services (NARES), non-government organizations, farmer groups and the private sector in the use of participatory methods for the identification and adoption of sustainable agricultural technologies.

Education and HRD

A number of students are refused enrolment at tertiary institutes because of poor basic education and the region offers few alternatives in the area of formal or non-formal Technical Vocational Education and Training (TVET). Failures at these levels often become disenchanted dropouts who lack the skills to contribute effectively to their societies. Many school leavers find they have inadequate or inappropriate skills for the few salaried jobs that exist. Most lack opportunities to upgrade their skills because too few non-formal training programmes are available.

The Forum Education Ministers meeting in Auckland in May 2001 developed a Forum Basic Education Action Plan, which the EU has supported under the 9th EDF regional support strategy. Through the teaching of health, culture, governance and other subjects, it is expected that basic education will engender the broader life skills that lead to good governance and social cohesion and which, when combined with an enhancing of employment opportunities, creates a higher level of personal and societal security.

The Pacific Islands-EU consensus is that the regional strategy should take a two-pronged approach, involving both basic education and regional formal and non-formal TVET providers. TVET initiatives will accompany improvements to basic education and pick up where the latter leaves off, ensuring that the number of courses increases and that they are relevant in the present socio-economic context in terms of access to employment or self-employment.

Transport and Communications

The 'tyranny of distance' implies prohibitive transport costs and is a barrier to global trade. Tourism, trade, safety in the air and at sea and the flow of information of all kinds depend on measures to overcome or to mitigate the impact of distance. Transport and telecommunications are therefore particular concerns of regional co-operation.

In this area, telecommunications has been the main focus of EU co-operation, including the provision of telephone/telex/telegraphic services, earth satellite stations and high-frequency radio services as well as upgrading the international airports of Fiji, Tonga, Kiribati, Tuvalu and Vanuatu.

Tourism

Tourism is a potential engine of economic activity, employment and foreign exchange for the region. An increasing number of tourists from around the world are attracted by the special appeal of the South Seas' climate, beautiful surroundings and rich cultural diversity. However, because the preservation of cultural identity and environmental protection are considered fundamental in Pacific society, the islands have adopted a fairly cautious approach to expanding the industry. Since 1980, the EU has supported the tourism sector in the region through an integrated programme that has included the establishment of the South Pacific Tourism Organisation (SPTO), formerly known as the Tourism Council of the South Pacific (TCSP).

Main economic activities of PACP countries

Country	Industries
Cook Islands	Fruit-processing, tourism, finance, copra, citrus fruit, clothing, coffee, fish, pearls and pearl shells, mining, handicrafts
Federated States of Micronesia	Tourism, construction, fish processing, craft items (shell, wood, pearls), garments, bananas, black pepper
Fiji	Sugar, tourism, copra, gold, silver, clothing, timber, fish processing, cottage industries
Kiribati	Fishing, handicrafts, copra
Marshall Islands	Copra, fish, tourism, craft items (shell, wood, pearls), coconut oil, trochus shells, offshore banking (in its infancy)
Nauru	Phosphate mining, financial services, coconut products
Niue	Tourism, handicrafts, food processing, finance, coconut cream
Palau	Tourism, craft items (shell, wood, pearl), commercial fishing, agriculture
Papua New Guinea	Copra crushing, palm oil processing, plywood production, wood chip production, mining (gold, silver and copper), crude oil production, construction, tourism, timber, coffee, cocoa, seafood
Samoa	Timber, tourism, food processing, fishing, coconut oil and cream, copra, beer
Solomon Islands	Timber, fish, palm oil, cocoa, copra
Tonga	Tourism, fishing, squash, fish, vanilla, root crops, coconut oil
Tuvalu	Fishing, tourism, copra, stamps/coins
Vanuatu	Fishing, tourism, food and fish freezing, wood processing, meat canning, copra, cocoa, coffee, offshore financial services

Widening Co-operation – OCTs

The Cotonou Agreement provides for regional co-operation and integration to involve Overseas Countries and Territories (OCTs) and outermost regions. In the Pacific there are three OCTs under French administration (New Caledonia, French Polynesia and Wallis and Futuna) as well as one (Pitcairn – population less than 100), which is under British administration.

The three French territories have small populations and their economies are 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 for infrastructure and recurrent expenditure.

For more than 30 years French Polynesia's economy has been transformed by transfers linked to French nuclear and military activities in the territory. With the cessation of these activities and the associated transfers combined with a huge trade imbalance, the territory is restructuring and is developing its economic potential.

Like the ACP States, the OCTs receive individual and regional allocations from the European Development Fund and are also entitled to non-programmable aid.

The Overseas Decision – A Renewed EU-OCTs Partnership

Part Four of the European Economic Community (EEC) Treaty created 'the association of the overseas countries and territories'. The purpose of this association is 'to promote the social and economic development of the countries and territories and to establish close economic relations between them and the community as a whole'.

The association is governed by Council decisions adopted periodically in parallel to the ACP/EU Agreements. It covers numerous sectors including environment and health, industry, agriculture and food security, fisheries and trade, transport and communications, mining commodities, energy, tourism and regional integration.

Institutional Innovations: The partnership procedure introduced in 1991 has been widened, clarified and strengthened, responding to the OCTs request for improved dialogue with the Community. An annual forum will bring together the main actors of the co-operation, including, if need be, Member States that are not responsible for an OCT, while ad hoc partnership meetings may be held on specific issues.

EDF and Other Financial Supports: Aid funds under the 9th EDF were allocated to eligible OCTs following criteria that are uniform, transparent, objective and fully consistent with the recently agreed guidelines on EU development policy. These guidelines favour the least developed and lower-income countries and focus, inter-alia, on good governance, the environment and the social sectors. Procedures will in future be strongly decentralised, following the model of the European Structural Funds.

The OCTs also become eligible for additional funding from other Community budget lines covering a wide range of sectors, as well as support of the EIB, via a new Investment Facility for the private sector as set out in the Cotonou Agreement.

The Trade Regime: The new association arrangement contains rules of origin and sets new quotas, which are intended to strike a balance between the legitimate interests of the OCTs and Community operators as well as being in the interest of real economic development in the OCTs.

INSTRUMENTS OF CO-OPERATION

Trade Relations

ACP countries benefit under the Cotonou Agreement from preferential market access, previously enshrined and developed under the successive Lomé Conventions. These preferences permit free market access for all industrial products, certain agricultural products and foresee a range of preferential access conditions for those agricultural products where access has not been fully liberalised.

In addition, least developed countries benefit from the Everything but Arms (EBA) scheme. Furthermore, Economic Partnership Agreements are envisaged under the Cotonou Agreement.

Trade volumes between the EU and the Pacific ACP are not very high, typically amounting to less than 5% of total imports into the Pacific. Export of products to the EU is low for most countries and virtually nil for the very small island states. However, a particularly relevant exception is Fiji, for which the Sugar Protocol has delivered major benefits. Under this protocol the EU agreed to buy a fixed quantity of sugar every year from certain ACP sugar producers at an attractively high guaranteed price. As a result, Fiji could sell more than 165,000 tonnes annually and was guaranteed an assured outlet for some 35- 40% of its crop at a high price. The reform of the Sugar Regime of Europe's Common Agricultural Policy necessitates re-structuring of the Fijian sugar sector, for which the EU has pledged support.

The 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 that continue to be exported include palm oil, coffee and cocoa (Papua New Guinea, Solomon Islands), logs (Papua New

Guinea, Vanuatu, Solomon Islands), squash and vanilla. Canned tuna is a valuable export product, particularly for Papua New Guinea, the Solomon Islands and Fiji. Papua New Guinea is a major exporter of copper and gold, while New Caledonia is a leading nickel producer.

In addition, Fiji and Papua New Guinea have benefited from derogation from the rules of origin for canned tuna, while Fiji also enjoyed derogation for textiles. For these products, as well as others, the Pacific ACP enjoyed preferential margins in the EU market over other non-ACP exporters.

Until 1990, the EU was the largest export market for PACP products. Since then, Pacific Rim countries (notably Australia and Japan) have taken a greater market share, although the traditional PACP-EU trade surplus remains. PACP trading partners consistently export to the EU three to four times more than they import from the EU, with the British, German, and Dutch markets remaining particularly important.

Financial and Technical Assistance

The Cotonou Agreement, backed up by five-year European Development Funds and separate EIB funding, provides assistance to Pacific ACP States using a variety of instruments. The EU has spent or committed some € 1,800 million in the region and has built up significant development aid programmes, particularly in the field of regional co-operation.

The bulk of EDF is for development projects chosen by ACP countries and approved by the EU. Works, supplies and technical co-operation (studies, technical assistance, training) may be financed by the EDF. Each country receives a financial allocation (envelope) to support for long-term development through a National Indicative Programme (NIP) as provided for under Cotonou.

Funds of Regional Indicative Programmes (RIP) are available for projects benefiting two or more countries, often implemented by regional organizations. The EIB does not allocate amounts per country. Countries with a favourable investment climate and the ability to generate bankable investments are likely to benefit most from EIB funding. Since Lomé IV, nearly all EDF aid has taken the form of **grants.** The risk capital component managed by EIB is made available for bankable projects in the form of loans, equity or quasi-equity.

Since 1975, EDF allocations for NIPs and RIPs total € 810 million. An additional € 990 million has been provided by other EC aid instruments. The EIB has financed projects through loans in all key sectors of Pacific economies, including mining and energy distribution in Papua New Guinea as well as hydroelectricity, forestry and telecommunications in Fiji. The Bank has granted some € 34 million in the form of loans. Since 1975, New Caledonia, French Polynesia and Wallis and Futuna have been allocated € 130 million in territorial and regional project aid and € 47 million in EIB loans.

The EU's trade and aid arrangements for the Pacific OCTs in the Pacific (French Polynesia, New Caledonia, Wallis & Futuna, and Pitcairn) are similar to those under the Lomé Convention and the Cotonou Agreement.

A Strategy for Private Sector Development

Private sector firms are typically small in the Pacific ACP; small domestic markets and poor endowments of physical resources limit entrepreneurial opportunities. This puts the private sector at a disadvantage as it cannot realize economies of scale or attract business partners. Nor can it spend significant funds on marketing, market intelligence and R&D.

A weak private sector also tends to limit absorptive capacity for aid and investment because participants lack the necessary skills to generate innovative project proposals and to demonstrate their investment worthiness. Without transitional assistance, a weak private sector may also lack the capacity to adjust to lower tariff protection and foster greater competition.

The EC supports private sector development on the premise that it is a critical engine for development. It focuses on co-operating with the governments of developing countries to help them improve their business environment for large corporations and SMEs. Other aims include helping private sector organizations enhance their effectiveness, stimulate productivity and strengthen international competitiveness.

EU-ACP Business Assistance Scheme (EBAS)

This facility aims to increase the competitiveness of ACP enterprises and to strengthen the capacities of the private financial and non financial intermediaries. It uses a matching grant scheme that encourages enterprises and intermediaries to use short-term consultancy services to improve their competitiveness. Grants up to € 70,000 are available and there is no limit to the size of grants to intermediaries. The total budget is € 20 million. € 1 million have been invested under this scheme in the first year of operation.

PRO€INVEST – Promotion of foreign direct investments

The programme, open to all ACP countries, promotes on a regional basis, sustainable and environmentally friendly investment and inter enterprise co-operation agreements in key sectors aimed to increase competitiveness. This includes strengthening the role of Investment Promotion Agencies, intermediary private organizations and providers of investment-related business services (INTERPOWER).

It focuses on those sectors and EU-ACP investments and partnerships that will contribute to the attainment of wider social objectives of ACP countries (INVEST€TECH). Operational since the beginning of 2001, it has a budget of € 110 million available over seven years.

The Investment Facility

The Investment Facility, managed by the EIB, will stimulate regional and international investment, reinforce the capacity of local financial institutions, strengthen local and financial and capital markets, encourage foreign investment and aid the development of the private sector by financing projects and commercially viable enterprises and companies.

It will achieve these objectives by providing risk capital in the form of conditional and subordinated loans, equity participations, quasi-capital assistance or guarantees and other credit enhancements both for foreign and local investors or lenders. Beneficiaries will be small businesses, local financial institutions and enterprises being privatised.

The Investment Facility, with initial funding of € 2,200 million from the 9th EDF, operates as a revolving fund and aims to be financially sustainable. It offers ACP countries security regarding the amount of funding available for private sector development over the short, medium and long term.

The Role of the European Investment Bank

The EIB works in more than 120 countries and has been a development partner with most ACP countries for 25 years. In 2007 it opened an Office in Sydney, Australia, serving Pacific Island States. It manages part of the EDF funds destined mainly for the private sector in ACP States and OCTs by providing medium- and long-term loans or by taking direct or indirect equity participations in local companies or financial institutions.

The Bank also uses funds raised on international capital markets to finance larger operations, both in the private and public sectors. A first class international credit rating (AAA) enables it to raise funds long term on the best market conditions available at any given time. This benefit is passed on to borrowers because the Bank operates on a non-profit making basis. In both cases, the conditions for loans or finance granted to the private or public sector are given on very competitive terms.

The Cotonou Agreement takes an innovative approach to financing EIB managed investments. One of the main features of the Agreement is the recognition by the EU and the ACP States of the complementary role played by the private sector and civil society in all its forms and of the contribution of market economy principles to achieving development objectives.

The Bank can play a major role in achieving these objectives and has considerably more resources at its disposal and a broader range of financial instruments, including the Investment Facility. The EIB was able to make loans from its own resources for up to € 1.7 billion during the first five years of the Cotonou Agreement, which means it is managing resources totalling € 3.9 billion.

CDE – A Positive Impact on SMEs

The Centre for Development of Enterprise (CDE) – previously named CDI (Centre for the Development of Industry) – was set up in 1977 with a view to assist the ACP private sector. During the past few years, the Centre has helped the Pacific ACP private sector stay in-step with the rest of the world.

Until the end of 2001, CDE assisted more than 90 companies in the region. By the end of 1999, the growth of CDI activities in the original eight Pacific

ACP countries peaked at some 12% of all the Centre's activities for all ACP regions. This figure has been steadily growing from 6% in 1994. For the years 2000 to 2001, the Centre's activities in the region were reduced to an average 8% mainly due to the political events in the Fiji Islands and the Solomon Islands.

An evaluation of assisted projects shows that the majority of assisted projects have reported an increase in activities and revenue of 20-40%. This implies a relevant employment increase of a minimum of 10% for most assisted projects, access to new markets and especially to the EU, new skills and know-how and supplementary foreign exchange earnings.

The type of assistance includes preliminary studies by country or sector to assess the viability of the particular sector, identification of potential technical/joint venture partners, assistance in first contact, diagnoses, feasibility studies, market surveys, assistance in assembling an appropriate financial and legal package, search for financing, help in setting up the project, technical and start up assistance, assistance in training, management, marketing and capacity building.

The majority of projects are linked to wood processing, agro-food, fisheries and food processing, with a view to create value-added products. In the case of Fiji, the garment industry is also an important beneficiary. Under CDE's new sectoral approach, multi-annual programmes for assistance to the wood, marine resources (including seaweed and black pearls), organic produce and tourism sectors are underway.

The CDE assists in opening all markets, including EU, ACP and regional. With regards to the EU market it also assists companies in dealing with health and sanitary standards.

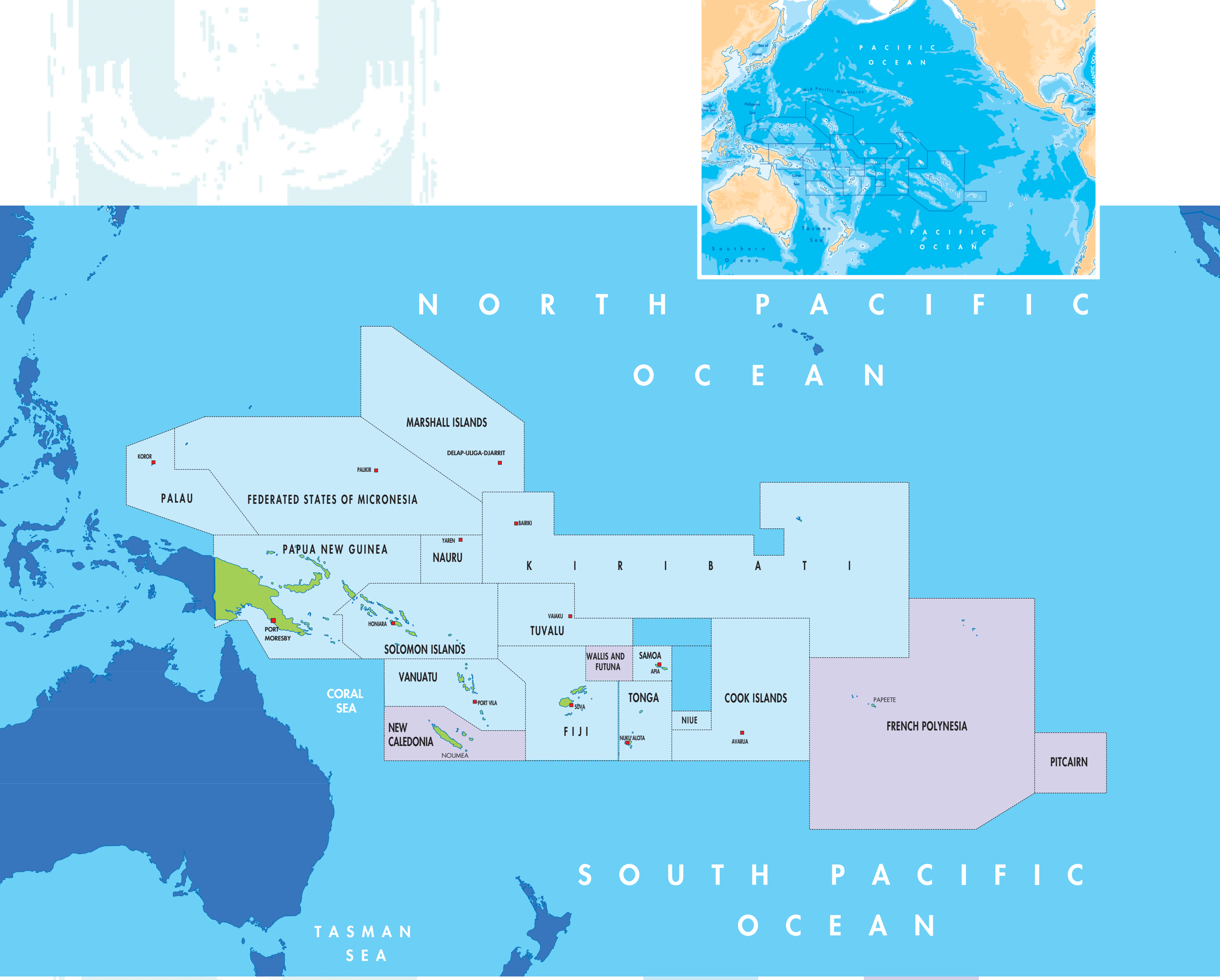
Humanitarian Assistance and Disaster Mitigation

A proportion of the EDF is reserved for emergency aid operations in the wake of natural disasters. The cyclone-prone countries of the Pacific have on several occasions had to call on emergency aid funds available from the EDF for emergency aid operations in the wake of natural disasters.

EUROPEAN COMMISSION

Humanitarian Aid

Since 1999, the European Community Humanitarian Office (ECHO) has funded emergency relief activities involving two projects in Vanuatu with *Médecins du Monde* for the earthquake on Pentecote Island (€ 150,000) and the volcanic eruption on Paama Island (€ 160,000). Operations focused on the rehabilitation of the water systems in the villages and primary health care.



ACP States

Co-operation with Overseas Countries and Territories (OCTs) – Pacific Region

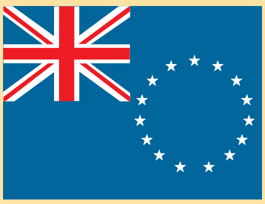
Co-operation with ACP States

Cook Islands | Fiji | Kiribati | Marshall Islands | The Federated States of Micronesia | Nauru | Niue | Palau | Papua New Guinea | Samoa | Solomon Islands | Timor Leste | Tonga | Tuvalu | Vanuatu

Co-operation with Overseas Countries and Territories (OCTs) – Pacific Region

New Caledonia | French Polynesia | Wallis and Futuna | Pitcairn

Cook Islands



Date of independence: 4 August 1965

Total land area: 240 km^2

Total EEZ area: 1,830,000 km^2

Capital: Avarua, Rarotonga

Population: 21,388 (2005 est)

Languages: Maori dialects, English

Main exports: Black pearls

GDP per capita: € 4,177.08 (2001)

Currency: New Zealand Dollar: (NZD)

Exchange rate: € 1 = NZD 1.79 (January 2006)

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

The Cook Islands, a new member of the Pacific ACP group, is located 3,500 km northeast of New Zealand. The country consists of two groups of islands – 13 inhabited and two uninhabited – extending over 2 million km^2 of ocean. North Cook Islands are atolls, while South Cook Islands are volcanic and comparatively fertile. More than 1,400 km separate the most distant islands of the country. The Cook Islands is a self-governing country in a ‘free association’ agreement with New Zealand, similar to Niue. Under this arrangement, Cook Islanders retain New Zealand citizenship.

More than half the population live on the main island of Rarotonga in the southern group. Over the years, a large number of islanders have migrated to New Zealand and Australia. More ethnic Cook Islanders live in New Zealand than in the home islands.

Similar to many other Pacific island nations, Cook Islands’ economic development is hindered by its isolation from foreign markets, the dispersion of small population centres amongst numerous islands, lack of natural resources, inadequate infrastructure and periodic devastation from natural disasters.

The Cook Islands has undergone important reforms in the areas of good governance and transparency of public expenditure, with the aim of enhancing economic recovery. The tourist industry is the main driver of economic growth and accounts for almost half of GDP. Cook Islands' major exploitable resources are associated with the nation's ocean, reef and lagoon areas.

The main development in the marine resources sector has been the rapid expansion of black pearl production. Today, pearl exports exceed 90% of total exports, with Japan, Australia and Europe being the main markets. New Zealand is the major donor and the country's major trading partner, buying 96% of exports and supplying about 75% of imports.

Emigration of skilled workers to New Zealand and Australia as well as government deficits are ongoing challenges. The relatively high income per capita reflects the impact of expatriate residents and the tourist-based economy of Rarotonga, but masks the subsistence lifestyle of the outer islands' population. Although the main islands are relatively prosperous, the development of the outer islands is lagging behind.

Trade/Economic Partnership Agreements (EPAs)

The Cook Islands is part of the core group of Pacific ACP Trade Ministers who took the lead in the Economic Partnership Agreement (EPA) negotiations. Cook Islands is not a member of the World Trade Organisation (WTO) and is covered by the EU-funded ACP Pacific WTO Representative Mission in Geneva.

The Cook Islands has played a positive role in the Pacific region. They are members of the negotiating groups at both official and Ministerial levels and have been represented at all regional EPA-related meetings. The island has held three in-country EPA seminars to provide information and receive input from the private sector.

Development Co-operation

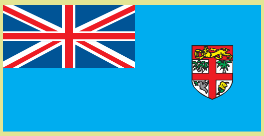
Under the Cotonou Agreement, the Cook Islands was allocated, for the period 2002-2007 (the 9th EDF), an amount of € 2.0 million under the A-envelope for financial and technical co-operation and € 0.6 million under the B-envelope to cover unforeseen needs such as emergency assistance. The programme aims to improve social services delivery on the outer islands and to support the activities of non-state actors at the village level. Following the Mid-Term Review of the 9th EDF, the Cook Islands were awarded an additional € 0.5 million for the A-envelope. The B-envelope funds were used to construct a cyclone shelter in one of the outer islands.

Under the 9th EDF the regional allocation amounts to € 29 million and includes three focal sectors “Economic Integration and Trade” (€ 9 million), “Human Resources Development” (€ 8 million) and “Fisheries” (€ 5 million) and a non-focal sector, for extension of the 8th EDF programmes to the 6 new ACP countries (€ 7 million). An additional € 10 million was added to the 9th EDF Pacific regional programme in 2006 for good performance. Like other Pacific ACP countries, the Cook Islands draw considerable benefit from the 9th EDF regional programme.

Under the 10th EDF the indicative programmable financial resources which the Community envisages to make available to the Cook Islands for the period 2008-2013, are € 2,400,000. It was proposed to allocate 85 percent of the A-envelope for the development of the energy sector. NSAs will be encouraged to participate in the implementation of the programme. The remaining 15 percent serve to establish a Technical Co-operation Facility from which necessary local Technical Assistance, studies and essential EDF-related activities will be funded. The TCF may also be used to finance necessary measures in support of governance issues linked to the incentive *tranche*.

Additionally, the Cook Islands will benefit from the 10th EDF regional programme, which has a total indicative allocation of € 76 million. The Cook Islands will also benefit from Intra-ACP funded programmes and has the opportunity to access funding through the various budget lines of the EU.

Fiji



Date of independence: 10 October 1970

Total land area: 18,272 km^2, 332 islands (100 inhabited)

Total EEZ area: 1,260,000 km^2

Capital: Suva

Population: 893,354 (2005 estimate)

Languages: English (official), Fijian, Hindustani

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

GDP per capita: € 4,177.08 (2005)

Currency: Fiji Dollar (FJD)

Exchange rate: € 1 = FJD 2.06 (January 2006)

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

The Republic of the Fiji Islands is an archipelago of more 300 islands of varying sizes, of which 100 are permanently inhabited. More than 80% of the land area is formed by the two largest islands, Viti Levu (10,389 km^2) and Vanua Levu (5,534 km^2). Of the total population, 44% are Indo-Fijians and 51% are indigenous Fijians with the balance being Europeans, Chinese, Rotumans and other Pacific Islanders.

Fiji is among the more developed of the PACP countries and ranks as a lower middle-income developing country. Its economic performance traditionally relies on the sugar industry and tourism. Raw sugar production accounts for about 10% of GDP, employs about one fifth of the total labour force and creates significant multiplier effects.

Tourism has become Fiji's most important industry and prior to the December 5, 2006 millitary coup, was the country's largest foreign exchange earner, providing employment – directly or indirectly – to some 40,000 Fijians (15% of the labour force). Over the past 10 years, export-oriented manufacturing of garments, wood products and tuna canning has become a significant activity, accounting for 16% of GDP (2000) and 25% of total jobs. Main exports are sugar, garments and footwear, gold and fish products, which benefit significantly from trade preferences on export markets.

Political events, notably the coups of 1987, May 2000 and December 2006, have seriously hindered what has been a very promising economic development dynamic, leading to important losses in GDP growth, employment, investment and exports, as well as negative impacts on international development co-operation.

Development Co-operation

Since the first Lomé Convention in 1975 until now (Cotonou included), Fiji has been allocated € 230 (2002 fig.) million in EC development co-operation funds, including various EDFs, budget funds and EIB contributions.

Beginning with an allocation from the 4th EDF of € 9.9 million under Lomé I – mainly spent for rural development activities and transport infrastructure – the National Indicative Programme of the 5th EDF rose to € 13 million under Lomé II. Co-operation was focused on agriculture, rural development and trade promotion.

Trade and rural development support was extended under Lomé III (6th EDF, € 20 million, of which € 5 million consisted of special loans) and the first financial protocol of Lomé IV (7th EDF, € 22 million in grant aid). Support was directed towards social infrastructure, but funding had to be shifted to the rebuilding of bridges, either severely damaged or completely destroyed by cyclone Kina that hit the country in January 1993.

The total EU multilateral assistance to Fiji at stake as a result of the December 2006 coup amounts to some F$ 400m. Continued progress in programme implementation and/or preparation and implementation of this assistance remains dependent on the Fiji Interim Government fulfilling the commitments it made on human rights, the rule of law and democratic principles in the course of the consultations which took place between Fiji and the EU in Brussels of 18th April, 2007. The development funding in question is to be implemented in project or programme form, while separate funding is destined to support the sugar sector, aimed principally at increasing the sector's productivity. Approximately € 120 m is foreseen in assistance to Fiji between 2007-13, consisting of a confirmed allocation of € 60 m for 2007-10 and, it is expected, a similar allocation for the years 2011-13. This funding aims to support the sugar sector, to promote economic diversification and to provide assistance for social impact mitigation measures.

Under the 9th EDF Fiji was allocated € 23.1 million with € 21 million in the A envelope to finance interventions in education as the focal sector (via the Fiji Education Sector Programme), and € 2.1 million in the B envelope. Education plays a central role in the development of the country, where wide disparities exist between urban and rural areas, and there has been a growth of disadvantaged urban areas. In many of these areas the physical infrastructure is either virtually non-existent or has markedly deteriorated, with no proper roads, electricity, sanitary conditions nor schools. The amount earmarked in the A envelope seeks to address this by supporting the provision of, and equal access to, quality education by all ethnic groups.

Non-programmable aid for Fiji has been considerable over the years, including Stabex transfers, emergency aid and budget funding. Another significant component of EU-Fiji co-operation has been through the activities of the European Investment Bank, extending loans from its own resources for a total of € 89.5 million and € 6.4 million (2002 figs.) in risk capital.

Taking into consideration EDF, budget funds and the Sugar Protocol, plus EU Member States' bilateral co-operation with Fiji (UK, France, Germany), the EU is Fiji's most important development partner.

Given the military take over of 2006, programming of the 10th European Development Fund did not include Fiji.

Trade Co-operation

Fiji benefits from preferential trade provisions on the European market. It enjoys the second largest quota under the Sugar Protocol (165,348 tonnes per year), which covers about 45% of the country's total sugar exports. It also exports some sugar under the Special Preferential System, but the quantities are relatively minor and vary annually. The total yearly benefit is an estimated € 55 million or more, most of which reaches small farmers and their families. (Based on the guaranteed price, the Protocol alone is worth approximately € 62 million.)

Industrial development and external trade have been supported by the derogation from the rules of origin for exports to the EU of canned tuna and textiles. However, this last provision is partially used as Fiji exports the bulk of its garment production to Australia and the US.

In the services sector, particularly tourism, the EU supports the Tourism Council of the South Pacific, which has significantly contributed to the promotion of the Pacific as an attractive tourist destination for Europeans. As a result, one in six tourists arriving in Fiji comes from an EU Member State. European tourists alone account for about € 30 million in foreign exchange earnings per year.

Sugar Sector Reform

Due to the lack of political consensus the government was slow in looking to the reform of the sugar sector, affecting 23,000 families, as well as reform of the land tenure system. The sugar industry contributes to around 10 % GDP, directly employs 12 % of the labour force and supports, directly or indirectly, as much as 25% of the Fiji's population. In 2003 sugar accounted for 93% of Fiji's exports to the European Union (valued at € 96.2 million).

Net receipts from the Sugar Protocol have amounted to some € 50-60 million/year, about ten times the resources provided from EDF National Indicative Programme, calculated on annual basis.

The outlook for the Fijian sugar industry is not rosy: the tenor of the EC's reform proposals are known (a proposed reduction of 36% in the reference price, to be achieved over four years) and the "reform" of the sector has so far been limited to the not-yet implemented upgrading, by Indian machinery, of the country's four mills – the purported benefit of which is not wholly convincing. Cane quality has been steadily declining, which can be attributed to a combination of factors including increased sugar cane burning, lower standards of cane cutting and delivery, variety changes, a deterioration in fertiliser practice, a significant drop in on-farm husbandry and low productivity at the level of the mills. Restructuring of the industry is widely recognised as a necessity, but it will be costly and – affecting as it will some of the poorest of Fijian society – will be difficult to achieve as speedily as necessary.

Kiribati

Date of independence: 12 July 1979

Total land area: 811 km^2, 28 islands (17 inhabited)

Total EEZ area: 3,600,0000 km^2

Capital: Tarawa

Population: 103,092 (2005 est)

Languages: Gilbertese and English

Main exports: Copra, fish

GDP per capita: € 668.31 (2001)

Currency: Australian Dollar (AUD)

Exchange rate: € 1 = AUD 1.62 (January 2006)

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

Kiribati (formerly the Gilbert Islands) is classified as a Least Developed ACP state under Annex 6 of the Cotonou Agreement. It was granted self-rule by the UK in 1971, and complete independence in 1979. Since then, the country has maintained a stable and democratic government. Kiribati has a population of 105,432 (1) living on low-lying atolls and islands scattered over a large part of the central Pacific. Kiribati is most vulnerable to the effects of climate change, climate variability, and sea-level rise. The country is highly vulnerable to extreme events, especially coastal flooding from storm surges and droughts. These threaten the viability and performance of public and private assets, and depress the returns on investment.

Economic growth has been much slower than population growth since 2002, and is projected to remain so for the foreseeable future. The public sector is the economy's chief employer. Government recurrent and development expenditures are a main determinant of aggregate demand. The private sector is underdeveloped

(1) July 2006 estimate.

and private investment is extremely limited. Fishing license revenues, income from a trust fund, and seafarers' remittances make gross national product (GNP) about 70% higher than gross domestic product (GDP). Because of the narrow production base, the financial situation of Kiribati is vulnerable to external shocks.

In 2004 the overall deficit was 41.3% of GDP. This shrunk in 2005 to 18.5% of GDP. In 2006 it is envisaged to drop further to 15% of GDP affirming the government's commitment to reducing expenditure. Fishing licences have a profound effect on the economy. These provided almost 45% of the total revenue in 2005. Income from fishing licences is expected to increase by 5.2% to $31 million in 2006.

There is wide disparity between the economic conditions in the capital, Tarawa, and Kiribati's outer islands, where many follow a subsistence-based lifestyle. The need for cash jobs, education, and better social services is causing an urban drift that can potentially lead to an overcrowding of South Tarawa, where almost half the population is now concentrated. With over 40% of the population under 15-years of age, a 50% increase in the country's labour force is expected within the next decade. Measures to stem the influx of people into the capital and job creation in the outer islands are high priorities. The provision of affordable basic services in the outer islands is considered a prerequisite for achieving this goal.

Taking into consideration improvement of basic services, in Tarawa, and in the outer islands, the EC proposed to allocate 85% percent of the A-envelope or € 9 million for the development of the water and energy sector. NSAs will be encouraged to participate in the implementation of the programme. The remaining 15 percent (€ 1.6 million) will be assigned for establishment of a Technical Co-operation Facility from which necessary local Technical Assistance, studies and essential EDF-related activities will be funded. The TCF may also be used to finance necessary measures in support of governance issues linked to the incentive tranche and regional integration/EPA related activities. The Government is potentially interested in a services agreement within EPA, opening the possibility to its seafarers gaining employment in EU vessels. This services agreement would normally offer only temporary mobility of labour, e.g. for upgrading skills.

There is a marked difference between urban South Tarawa (where most development has taken place) and the other islands, where many people still maintain a subsistence lifestyle. In heavily populated South Tarawa, increasing youth unemployment is causing social and environmental problems, a challenge that must be tackled.

The government has responded to the serious implications of continuing population growth by adopting a Population Policy in 2004. Growing population is placing an increasing demand on services and the employment market; 2000 students leave school each year to compete for just 500 formal sector employment and training opportunities. Youth unemployment is one of a number of issues affecting youth and overall social stability.

Development co-operation

Projects during 1975- 1980 (Lomé I) included the financing of infrastructure, activities in the fisheries sector, training and microprojects. A significant amount of financial support for 1980-1985 (Lomé II) was used to construct two 26-metre pole and line fishing vessels.

Under Lomé III (1985-1990) telecommunications projects included the rehabilitation of the South Tarawa telephone exchange and the purchase of equipment to control the country's vast marine and air space. Microprojects included building copra storage sheds, improving the water supply and sanitation, seaweed cultivation and building fishponds.

The European Commission's ongoing activities in Kiribati include the Solar Energy for Outer Islands Project (8 ACP KI 2), the Kiribati Training Programme II (8 ACP KI 7) and the Support to Seaweed Industry Project (8 ACP KI 6). Construction of the Airport Control Tower at Bonriki Airport, South Tarawa (7 ACP KI 29) was completed and the Tower was opened during Kiribati Independence celebrations in July 2004.

Under the 9th EDF, the financing agreement of the 9th EDF Improvement of Outer Island Health Services Project was signed in April 2005, due to lengthy exchanges, necessary to set up the Contribution Agreement, enabling implementation to begin in mid 2006. This project aims to substantively enhance access to health and medical services in the Outer Gilbert Islands. Due to this reason and the fact that this programme, will be implemented practically during almost all the period of the 10th EDF, its potential continuity is not forecasted in as a part of the focal sector of 10th EDF. Focal sector of 10th EDF is duly complementary, as the renewable energy and water and sanitation activities are to be undertaken in the Outer Islands. Overall, all of these programmes aim to improve the living conditions in the Outer Islands of Gilberts.

The co-financing budget line project ‘Pacific Skills Link’ came to an end in February 2006. This project successfully strengthened the umbrella NSA – Kiribati Association of NGOs (KANGO) and other smaller NSAs active in Kiribati.

A project to address the problem of coastal erosion on the most densely populated and vulnerable atoll in Kiribati, South Tarawa has been developed. The project was devised with the assistance of SOPAC through the EDF regional project, ‘Reducing Vulnerability of ACP States’ and in close consultation with the World Bank which is coordinating the Kiribati Adaptation Project.

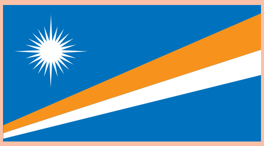
The 9th EDF Pacific Regional Indicative Programme funded a number of existing projects which extended services to Kiribati. These included:

- Pacific ACP Regional Economic Integration Programme (PACREIP)
- Development of Sustainable Agriculture in the Pacific (DSAP)
- Pacific Regional and OCT Fisheries Programme (PROCFISH)
- Plant Protection Programme (PPP)
- Pacific Regional Initiatives for the Development of (basic) Education (PRIDE)
- Reducing Vulnerability in PACP States – SOPAC
- Development of Fisheries in the Pacific (DEVFISH)
- Pacific Environmental Information Network (PEIN)
- Additionally, Kiribati has benefited from training provided through the Technical Support to RAO Project and EPA related technical assistance under a FORSEC implemented intra-ACP funded programme.

STABEX funds amount to Euro 270,000 will be programmed to support the Solar Energy project through the establishment of a special fund for the replacement of solar batteries.

EPA: The Republic of Kiribati is one of the Pacific ACP Group of countries currently negotiating an Economic Partnership Agreement (EPA) with the European Commission through the Pacific Island Forum Secretariat. The country has show interest in EPA, even thought it has a rather limited number of products to export. A fishery is the most relevant sector, and improvement on the level of facilities and services in this field will be an important asset with reference to EPA negotiations. It is also recognised the importance of working on the improvement of the requirements and criteria set up for the conclusion of an EPA agreement. Support to EPA preparation efforts, including in-country stakeholder meetings and participation in EPA-related meetings at all levels, was provided for Kiribati through PACREIP, the € 11.2m 9th EDF regional programme.

Marshall Islands



Date of independence: 21 October 1986

Total land area: 170 km^2

Total EEZ area: 2,131,000 km^2

Capital: Majuro atoll

Population: 56,418 (2005 est)

Languages: Marshallese, English, several dialects

Main exports: Copra, chilled fish

GDP per capita: € 2,441 (2005)

Currency: US dollar

Exchange rate: € 1 = USD 1.22 (January 2006)

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

The Republic of the Marshall Islands (RMI), a newcomer to the Pacific ACP group, comprises five coral islands and 29 major atolls, aligned in two parallel groups, the Ratak (sunrise) chain and the Ralik (sunset) chain. The nation also includes some 1,200 atoll-type islets, mostly uninhabited, spread across hundreds of miles of the Central Pacific, approximately midway between Hawaii and Papua New Guinea.

The population of about 56,000 is concentrated in two main urban centres: Majuro, the capital and business centre, and Ebeye. More than half of the population is under 15 years of age. Unemployment is high and increasing numbers of young adults are unskilled. The growing population is putting strain on existing infrastructure.

In 1986, the RMI became an independent nation and established a bilateral agreement with the USA, known as the Compact of Free Association, which outlines the economic and political ties between the two countries. Additionally the Compact grants the U.S. exclusive military access to Kwajalein atoll for the U.S. Army strategic missile test range. It also provides for settlement of all claims for nuclear injury compensation following the nuclear testing programme, which the U.S. conducted from 1946 to 1958. By treaty, the national currency is the US dollar. Compact 'Two" was approved in 2003 and will last through to 2023.

The US assistance provided under the Compact of Free Association is the mainstay of the economy.

The Marshall Islands remains a primarily copra-based subsistence economy. Agriculture production is concentrated on small farms. Copra and coconut constitute 90% of exports. The country's 200-mile Exclusive Economic Zone covers an area of more than two million km^2 and contains an abundance of fish and other valuable marine resources. The Marshall Islands has a Multilateral Fishery Treaty with the US and bilateral fisheries agreements with Japan, Korea and Taiwan. There is a chronic trade imbalance in favour of the US and Japan.

Development Co-operation

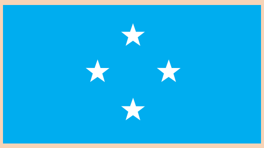
In the context of the Cotonou Agreement, the RMI was allocated, for the period 2002-2007 (the 9th EDF), an amount of € 3.5 million under the A-envelope for financial and technical co-operation and € 1.1 million under the B-envelope. The programme contributes to the economic and social development of the country through the supply of renewable energy technologies in the outer islands and through support to Non-state Actors. 'B' envelope amounts provide assistance in the form of disaster mitigation and preparedness actions.

Under the 9th EDF the regional allocation amounts to € 29 million and includes three focal sectors "Economic Integration and Trade" (€ 9 million), "Human Resources Development" (€ 8 million) and "Fisheries" (€ 5 million) and a non-focal sector, for extension of the 8th EDF programmes to the 6 new ACP countries (€ 7 million). An additional € 10 million was added to the 9th EDF Pacific regional programme in 2006 for good performance. Like other Pacific ACP countries, RMI draws considerable benefit from the 9th EDF regional programme.

Under the 10th EDF the indicative programmable financial resources which the EU envisages, will make available to the Republic of the Marshall Islands for the period 2008-2013, some € 4,454,891. It was proposed to allocate 85 percent of the A-envelope or € 3.78 million for the development of the energy sector. NSAs will be encouraged to participate in the implementation of the programme. The remaining 15 percent (€ 0.67 million) will be to establish a Technical Co-operation Facility from which necessary local Technical Assistance, studies and essential EDF-related activities will be funded. The TCF may also be used to finance necessary measures in support of governance issues linked to the incentive tranche.

Additionally, RMI will benefit from the 10th EDF regional programme, which has a total indicative allocation of € 76 million. RMI will also benefit from Intra-ACP funded programmes and has the opportunity to access funding through the various budget lines of the EU.

FEDERATED STATES OF MICRONESIA



Date of independence: 3 November 1986

Total land area: 700 km^2,

Total EEZ area: 2,978,000 km^2

Capital: Palikir, Pohnpei

Population: 108,105 (2005 est)

Languages: English (official language) and eight major indigenous languages (among others Chuukese, Pohnpeian, Yapese, Kosrean)

Main exports: Fish, tourism, copra

GDP per capita: € 2,189 (2005)

Currency: US dollar

Exchange rate: € 1 = USD 1.22 (January 2006)

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

The Federated States of Micronesia (FSM) a new member of the Pacific ACP group, was formed in 1979 with the amalgamation of four island groups that at the time were administered as a United States Trust Territory. It became an independent nation in 1986 under a Compact of Free Association agreement with the US, which defined the economic and political ties between the two countries. Under the Cotonou Agreement, it joined the Pacific ACP countries.

The FSM consists of 607 mountainous volcanic islands and low-lying coral atolls in the Central western Pacific scattered over almost three million km^2 of ocean. About 40 islands are of significant size, several of which are uninhabited.

The four states that make up the FSM – Yap, Chuuk, Pohnpei and Kosrae – are separated by large expanses of water. Prior to western contact, the isolation led to the development of unique traditions, customs and languages on the islands, each of which maintains a high degree of autonomy and a constitution. The FSM has an extensive and complex system of government comprised of three layers, with the legislative, executive and judicial branches replicated at national and state level.

Most of the population relies on subsistence farming and fishing. Growing urbanisation and a decline in subsistence production have increased the population density in the four state capitals where a money economy with modern communications, transport and utilities has developed. Emigration to the United States is significant and 16% of the population live abroad.

The economy, which has been dominated by the public sector, is heavily dependent on foreign aid, mainly from the US. With the progressive reduction of US assistance under the Compact of Free Association, the government has begun to implement a comprehensive reform programme that focuses on public expenditure reductions and structural measures aimed to develop and diversify the productive capacity of the economy and promote private sector activities in view of employment creation.

The nation has limited land-based resources, but is endowed with abundant and varied marine resources. The country has an Exclusive Economic Zone of almost three million km^2, containing large stocks of commercially valuable tuna species, the country's largest natural resource. Fish exports, mainly to Japan, make up about 80% of total exports. Other key sectors for economic development are agriculture and tourism.

Development Co-operation

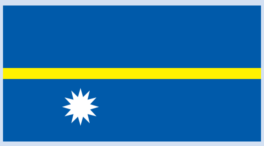
In the context of the Cotonou Agreement, the FSM was allocated, for the period 2002-2007 (the 9th EDF), € 4.8 million under the A-envelope for financial and technical co-operation and € 1.4 million under the B-envelope. The programme contributes to the economic and social development of the country through the supply of renewable energy technologies in rural areas, and through support to Non-state Actors in the areas of conservation and environmental protection. 'B' envelope amounts provide assistance in the form of disaster mitigation and preparedness actions.

Under the 9th EDF the regional allocation amounts to € 29 million and includes three focal sectors "Economic Integration and Trade" (€ 9 million), "Human Resources Development" (€ 8 million) and "Fisheries" (€ 5 million) and a non-focal sector, for extension of the 8th EDF programmes to the 6 new ACP countries (€ 7 million). An additional € 10 million was added to the 9th EDF Pacific regional programme in 2006 for good performance. Like other Pacific ACP countries, FSM benefits from the 9th EDF regional programme.

Under the 10th EDF the indicative programmable financial resources which the EU envisages, will make available to FSM for the period 2008-2013, some € 6,910,000. It was proposed to allocate 90 percent of the A-envelope or € 6.219 million for the development of the energy sector. NSAs are encouraged to participate in the implementation of the programme. The remaining 10 percent (€ 0.691 million) will be to establish a Technical Co-operation Facility from which necessary local Technical Assistance, studies and essential EDF-related activities will be funded. The TCF may also be used to finance necessary measures in support of governance issues linked to the incentive tranche.

Additionally, FSM will benefit from the 10th EDF regional programme, which has a total indicative allocation of € 76 million. FSM will also benefit from Intra-ACP funded programmes and the country has the opportunity to access funding through the various budget lines of the EU.

NAURU



Date of independence: 31 January 1968

Total land area: 21 km^2

Total EEZ area: 320,000 km^2

Capital: Yaren

Population: 13,287 (2005 est)

Languages: Nauruan, English, Yaren

Main exports: phosphates, coconuts

GDP per capita: € 4,176.29 (2001)

Currency: Australian dollar (AUD)

Exchange rate: € 1 = AUD 1.62 (January 2006)

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

Nauru is an island republic in the South Pacific Ocean, approximately 40km south of the Equator and nearly 4,000 km north-east of Sydney. A raised coral atoll, Nauru is one of the three great phosphate rock islands in the Pacific Ocean – the other two being Banaba (Ocean Island) in Kiribati and Makatea in French Polynesia. Nauru has a total area of 21 square kilometres. Nauru has a population of 13,287 people, of which majority indigenous Nauruans of predominantly Micronesian origin, and the remainder mostly i-Kiribati, Tuvaluan and Chinese peoples.

After becoming independent in 1968, Nauru became very wealthy through the exploitation of its mineral resource, phosphate. When world prices began to fall the government borrowed heavily to support high levels of government spending eventually leading to a political and economic crisis in the early 2000's. Nauru has now stabilised this crisis situation by drastically cutting government expenditure which has been achievable with recent political stability and the financial and technical support of the government of Australia. For many years Nauru encouraged the registration of offshore banks and corporations becoming a tax haven for money-laundering activities. Following heavy pressure from the US, Nauru ceased its offshore banking and passport schemes. Nauru was later removed from the OECD's list of uncooperative tax havens, and in October 2005 was also taken off the OECD Financial Action Task Force's (FATF) list of money-laundering.

Nauru has insufficient arable land for its population and after years of high incomes from phosphate mining, when most of the island's needs were imported, the population has lost fishing and horticulture skills possessed by former generations.

Nauru faces serious economic challenges. Phosphate production has declined dramatically since the 1980s (from 1.67 million tonnes in 1985-86 to 162,000 tonnes in 2001-02). Although residual phosphate reserves might provide some revenue, this would require significant and costly repairs to mining-related infrastructure.

Fishing licenses issued to China, Japan, South Korea, Taiwan and the United States of America are now an important source of revenue for Nauru. While pelagic fish abound in Nauruan waters, Nauru has been unable to establish a fishing industry of its own.

The current financial situation of Nauru is still grave. According to the Budget statement, in 2004-05, earnings from Nauru's only export commodity, phosphate, did not cover operating costs. The country is not expected to balance its budget until 2009.

It is quite clear that Nauru will remain heavily dependent on donors for support, particularly in key areas such as electricity and water. Currently, the key challenge facing Nauru is the restructuring of its own activities to make best use of its limited resources while ensuring that donor support is also allocated to key national priority areas. The longer term challenge for the GoN will be to maintain public services as revenue flows from short term capital returns decline further, as the revenue base is narrow and heavily reliant upon fishing licences – the only sizable and sustainable revenue item, future Government revenues will continue to be exposed to any sudden fluctuation in revenue from fishing licences.

Nauru joined the ACP group of countries in 2002 after signing the ACP – Cotonou Agreement. Consistent with these objectives and taking into account activities of other donors, the Government of Nauru identified the energy sector as its focal sector for European Union Cooperation for the 9th EDF.

For the 10th EDF/NIP it was proposed to allocate 85% percent of the A-envelope or € 1.836 million for the development of the renewable energy. Non State Actors (NSAs) are encouraged to participate in the implementation of the programme. Renewable energy falls within the Water and Energy sector as defined in the European Consensus, June 2006. The remaining 15 percent (€ 0.324 million) will be to establish a Technical Co-operation Facility (TCF) from which necessary local or regional Technical Assistance, studies and EDF-related activities will be funded. The TCF may also be used to finance necessary measures in support of governance issues linked to the incentive tranche, regional integration and Economic Partnership Agreement (EPA) related activities.

In July 2005 the Financing Agreement for the Renewable Energy Programme (covering also Republic of Marshall Islands (RMI), Federated States of Micronesia (FSM), Niue and Palau) was signed by the Secretary General of the Pacific Island Forum Secretariat on behalf of all five countries concerned. The value of Nauru's 9th EDF participation in this programme amounts to € 1.53 million, or 85% of envelop 'A'.

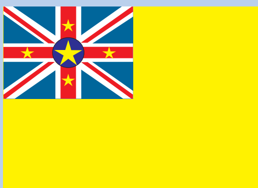
Nauru has not been subject to disasters, and is not eligible for FLEX (EU-ACP instrument to compensate export losses) or HIPC (Heavy Indebted Poor Countries), so the B envelope (€ 0.5 million) has remained untouched. A multi-country programme focussing on disaster preparedness is being developed for Council of Regional Organizations of the Pacific (CROP) implementation and Nauru has indicated its interest in using its B envelope to join and benefit from this programme.

Economic Partnership Agreements (EPAs): All Pacific ACP states, including Nauru, continued their participation throughout 2005 in the EPA regional negotiation process through the established negotiating machinery. Progress in the Pacific negotiations was, however, slower than might have been hoped for, a reflection both of the very limited capacity of certain Pacific ACP (PACP) states and of the varying levels of interest on the part of the states in a EPA (only a small number of smaller PACP perceive an interest in an agreement on goods). Support to EPA preparation efforts, including in-country stakeholder meetings and participation in EPA-related meetings at all levels, was provided for Nauru through Pacific Regional Economic Integration Programme (PACREIP), the € 11.2 m 9th EDF regional programme.

The 9th EDF Pacific Regional Indicative Programme funded and extended a number of existing projects to the six new Pacific ACP countries, including Nauru. These consisted of:

- Pacific ACP Regional Economic Integration Programme (PACREIP)
- Development of Sustainable Agriculture in the Pacific (DSAP)
- Pacific Regional and OCT Fisheries Programme (PROCFISH)
- Plant Protection Programme (PPP)
- Pacific Regional Initiatives for the Development of (basic) Education (PRIDE)
- Reducing Vulnerability in PACP States – SOPAC
- Development of Fisheries in the Pacific (DEVFISH)
- Pacific Environmental Information Network (PEIN)
- Additionally Nauru has benefited from training provided through the Technical Support to RAO Project and EPA related technical assistance under a FORSEC implemented intra-ACP funded programme.

NIUE



Date of independence: 19 October 1974

Total land area: 259 km^2

Total EEZ area: 390,000 km^2

Capital: Alofi

Population: 2,166 (2005 est)

Languages: Niuean, English

Main exports: Vegetables, fruits, copra, craft

GDP per capita: € 3,006.29 (2000)

Currency: New Zealand dollar

Exchange rate: € 1 = NZD 1.79 (January 2006)

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

Niue is an isolated single coral atoll with steep limestone cliffs to the sea and a central greenland plateau. It is located in the South Pacific, at 2,400 kilometres northeast of New Zealand, on the eastern side of the International Date Line. It has a land area of 259 km^2 and an exclusive economic zone, which extends to 390,000 km^2 of ocean. Approximately 19% of the land is arable, 4% has been given over to permanent pastures, while the remainder is made up of forest and woodlands. The GDP per capita was US$ 5823 in 2003. Niue is a self-governing country "in free association" with New Zealand, and Niueans are New Zealand citizens.

With a population oscillating of roughly 2,166 who permanently live on the island, Niue is the least populated ACP country.

Niue became an ACP state when it signed the Cotonou Agreement in 2000. The main focal sector for Niue under the 9th EDF is (running from 2003-2007) is renewable energy with € 200,000 to the Niue Village Economy Development Project (NSA). Whilst overall progress in the initial stages of both initiatives has been gradual, the developments picked up speed since, and implementation started in early 2006.

In January 2004 Niue was hit by Cyclone Heta, which caused widespread destruction of key infrastructure, including the hospital. Reconstruction was undertaken with donor assistance, in particular from New Zealand, and the entire B-envelope under the 9th EDF was allocated for this purpose.

The strategy of the 10th EDF will continue the focus of renewable energy and will continue the assistance to village development as a non-focal sector. The negotiations for this present paper revealed the strategic importance of renewable energy in the development path of Niue. The GoN has already set in place an appropriate policy for the sustainable development of this sector and is further committed to enhance its policy capability.

In line with Niue's international commitments of sound policy and practise of taxation with the aim to prevent further money laundering, the government of Niue have agreed with the European Commission to undertake a number of commitments in this area that can be linked to the incentive tranche of the 10th EDF.

Niue faces considerable development constraints. These include isolation, limited natural resources, poor communications, an unpredictable climate (including drought and occasional cyclones) and, most significantly, a shortage of skilled labour and outward migration, principally to New Zealand. The decrease in public sector employment opportunities has resulted in an exodus of migrants to New Zealand, a situation that was further aggravated by the devastation of Cyclone Heta in 2004.

Substantial aid from New Zealand has historically supported a large public sector providing incomes and jobs for the people of Niue, while outward migration of large parts of the population has ensured a steady flow of remittance income into the country. However, remittance income has fallen and the level of aid provided by New Zealand has declined significantly over the past decade resulting in a considerable "downsizing" of the public sector. Although the number of public servants was reduced in the early 1990s, the Government remains the major employer and public service jobs are an important means of retaining the population from migration. While the economy remains dependent on substantial amounts of NZAID funding, the Government is committed to increasing the country's economic self-reliance.

The economy is dominated by services, including public services. In 2003, the government sector (public service and government trading enterprises) accounted for 52% of GDP. Agricultural output (including fishing and forestry) made up approximately 23% of GDP, of which 95% was household subsistence production.

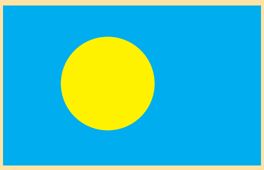
Development Co-operation

Niue is one of the Pacific ACP Group of countries currently negotiating an Economic Partnership Agreement (EPA) with the European Commission through the Pacific Island Forum Secretariat. Discussions commenced on 10 September 2004. Niue has demonstrated considerable interest in the EPAs, even though its export volume is currently very limited and consists mainly of fish products and some micro production of organically produced vanilla, noni and honey. The absence of a deep harbour port and limited investment capital will continue to limit exports generating activities on a larger scale. However, Niue has recognised the importance of trade and is striving to expand its tourism industry and other export generating activities such as fish, noni juice and dried vanilla production. Niue is not a member of the WTO and is not envisaging to join in the foreseeable future.

Monetary policy has a limited role in the economy of Niue due to the use of the New Zealand dollar as currency. The burden of adjustment to changes in the revenue position of the government is thereby falling on fiscal policy. With the current level of NZAID funding, the government is committed to reducing expenditure, increasing local revenue and achieving a greater level of financial self-sufficiency. A priority of macro-economic policy and a paramount objective of the Niue Integrated Strategic Plan (NISP) is the promotion of responsible fiscal management. The government has committed itself to improving public service efficiency through the identification of priority objectives, estimates of priority expenditure for the implementation of these objectives and the setting of financial baselines across all government departments and corporations. The ultimate objective as set out in the ISP is to achieve balanced budgets and reduce the reliance on external funding.

Niue has a National Energy Policy (NEP) and a National Energy Action Plan (NEAP) which takes care of environment aspects, energy conservation and efficiency and address the need to promote sustainable energy options.

PALAU



Date of independence: 1 October 1994

Total land area: 458 km^2

Total EEZ area: 600,900 km^2

Capital: Koror

Population: 20,100 (2006 est)

Languages: Palauan, English

Main exports: Fish products, tourism, copra

GDP per capita: € 6,000 (2005)

Currency: US dollar

Exchange rate: € 1 = USD 1.22 (January 2006)

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

The Republic of Palau, a newcomer to the Pacific ACP group, is a tightly clustered 200-island archipelago of coral atoll and volcanic origin stretching over 650 km in the western Pacific, southeast of the Philippines. Eight of the islands are permanently inhabited, the largest of which is Babeldaob.

The total land area is 458 km^2 with an Exclusive Economic Zone of 600,900 km^2. The largest urban area is the state and island of Koror, which is also the seat of the national government and the civic and commercial centre. A new capital, built at the island of Babeldoab 20kms northeast of Koror, opened in 2006. The population was estimated at 20,100 in 2006, the majority of which are of Micronesian descent.

In 1994, Palau signed a Compact of Free Association with the US, marking its accession to independence. The Compact will provides Palau with up to $700 million in US assistance over 15 years in return for furnishing military facilities. This assistance has worked to the economic advantage of Palau – the country has one of the highest living standards in the Pacific.

Besides a large public sector, the economy has a narrow production base consisting primarily of subsistence agriculture and fishing. The country's rich marine resources as well as its unspoiled scenic beauty offer many opportunities for development. The tourism sector presents the greatest potential for growth and is the main private sector activity.

A fledgling commercial fishing industry also holds promise for growth. Agriculture is limited because of the small market, which cannot take advantage of economies of scale that make commercial ventures financially successful.

The impending phase-out of US grants presents an incentive for the government to foster private sector growth and expand the base of the economy. The key challenge facing the government is to develop the productive capacity of the economy and to make a successful transition from subsistence to a market-based economy. The government is already committed to take the necessary measures, including fiscal consolidation and structural reform, to develop a sustainable independent economy.

Development Co-operation

In the context of the Cotonou Agreement, Palau was allocated, for the period 2002-2007 (the 9th EDF), an amount of € 2 million under the A-envelope for financial and technical co-operation and € 0.6 million under the B-envelope The programme contributes to the economic and social development of the country through the supply of renewable energy technologies in rural areas, and through support to Non-state Actors in the areas of renewable energy. 'B' envelope amounts provide assistance in the form of disaster mitigation and preparedness actions.

Under the 9th EDF the regional allocation amounts to € 29 million and includes three focal sectors "Economic Integration and Trade" (€ 9 million), "Human Resources Development" (€ 8 million) and "Fisheries" (€ 5 million) and a non-focal sector, for extension of the 8th EDF programmes to the 6 new ACP countries (€ 7 million). An additional € 10 million was added to the 9th EDF Pacific regional programme in 2006 for good performance. Like other Pacific ACP countries, Palau benefits from the 9th EDF regional programme.

Under the 10th EDF the indicative programmable financial resources which the Community envisages will make available to the Palau for the period *2008*-2013, is € 2.4 million. It is proposed to allocate 85% percent of the A-envelope or € 2.04 million for the development of the energy sector. NSAs will be encouraged to participate in the implementation of the programme. The remaining 10 percent (€ 0.36 million) will be to establish a Technical Co-operation Facility from which necessary local Technical Assistance, studies and essential EDF-related activities will be funded. The TCF may also be used to finance necessary measures in support of governance issues linked to the incentive tranche.

Additionally, Palau will benefit from the 10th EDF regional programme, which has a total indicative allocation of € 76 million. Palau will also benefit from Intra-ACP funded programmes and the country has the opportunity to access funding through the various budget lines of the EU.

Papua New Guinea

Date of independence: 15 September 1975

Total land area: 452,860 km^2

Total EEZ area: 3,120,000 km^2

Capital: Port Moresby

Population: 5,545,268 (2005 est)

Languages: Pidgin, English and over 850 others

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

GDP per capita: € 2,004.58

Currency: Kina (PGK)

Exchange rate: € 1 = PGK 3.65 (January 2006)

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

The Independent State of Papua New Guinea (PNG), the largest Pacific ACP country both in land area and population, is one of the most diverse countries in the world. Located in an area with active seismic and volcanic events, its terrain is rugged with a central chain of mountains interspersed by wide valleys and rivers. Its population of about 5.1 million is comprised of ethnic groups who speak more than 850 distinctive languages. With a variety of mineral deposits and a large forest cover rich in bio-diversity, PNG is also one of the most naturally endowed countries in the world.

The country's topography makes development difficult. Its rugged terrain renders transport and communications both difficult and expensive. Few road networks exist along the coast with just one important road inland. The 20 provinces are not accessible by land. The commonest means of transportation is by air, although an important nautical network is being developed at the present time. These physical and social fragmentations have resulted in enclave isolated economies and ineffectual delivery of government services.

At the same time, Papua New Guinea's economic potential is enormous. Its major export earnings are derived from minerals (gold and copper) and oil which together account for two-thirds of total exports, despite the agriculture sector employing 85% of the active population in subsistence farming. Large deposits of natural gas offer huge commercial possibilities.

Although agricultural expansion is constrained by the communal land tenure system, PNG produces and exports significant amounts of coffee, cocoa, palm and coconut oil, as well as timber.

There is considerable potential for the development of fisheries. The country's Exclusive Economic Zone is proving to be one of the richest fishing grounds in the Pacific Ocean with a sustainable catch of skipjack and surface tuna estimated at around 300,000 tons a year. This amounts to 10% of the current world catch of tuna and about 25% of the total catch in the Western Pacific.

Development Co-operation

The EU is one of the country's most important development partners. Papua New Guinea has been linked to the EU since May 1977 when the trade provisions of Lomé I were applied through a special arrangement. It became a full partner in co-operation following its accession to Lomé I in November 1978.

The relationship has been significantly strengthened through successive Lomé Conventions, now making the EU one of PNG's most important development partners.

Overall EU financial contributions to development efforts up to the end of 2001 have amounted to € 655 million. The programmable financial allocations for projects have risen significantly from € 10 million (under Lomé I) to € 23 million and € 34 million under Lomé II and III respectively and € 44.2 million and € 50 million under Lomé IV and IVbis.

Under the Cotonou Agreement, PNG has been allocated, over the period 2002-2007, an A-financial envelope worth € 81 million and a B-envelope of € 35 million, plus € 50 million in a SYSMIN allocation from the 8th EDF for the restructuring of the mining sector.

Co-operation to Overcome Obstacles to Development

Under Lomé I, the National Indicative Programme (NIP) was principally geared to rural development, which included road infrastructure, storage facilities, rural electrification, technical assistance, micro-projects, 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 involved the construction of two fisheries vessels.

Lomé II concentrated on economic infrastructure, such as roads, bridges and mini-hydro projects, while Lomé III focused mainly on rural development.

Emphasis under Lomé IV and IV bis was on human resource development and rural environment. In a country where 85% of the population lives in rural areas and where the education infrastructure is poorly developed, except in a few urban centres, the development of programmes aiming to develop both the facilities and the quality of teaching was a priority in terms of EC-PNG government collaboration. On a large scale, the programmes allowed the construction of schools, the improvement of educational materials and the training of teachers. Many students also took advantage of grants to pursue higher education.

The rural sector was strongly supported through various programmes which reflect the huge diversity of the environmental resources of the country. Coastal villagers dependant on fishing and inhabitants of forests were the beneficiaries of two original community development programmes.

With HIV/AIDS becoming a major concern, funds were attributed to the sector to assist patients, to develop health centres and to develop national awareness campaigns.

Under the Cotonou Agreement, the focal sectors identified in the Country Strategy Paper for the period 2002-2007 are Education, Training and Human Resource development, as well as rural water supplies and sanitation, with a crosscutting non-focal sector for institutional capacity building and governance.

Efforts in the educational sector will be pursued in line with previous successful interventions. Rural development remains a focal sector with community and NGO involvement being strengthened.

Other Instruments to Benefit Development

A number of other EU aid instruments have been used to foster cooperation, the most important of which is Stabex, a key instrument in balance-of-payments support that has accounted for approximately half of all EU aid disbursed. Papua New Guinea is one of the largest beneficiaries of this programme, with transfers amounting to more than € 245 million since Lomé I to compensate for the shortfalls in foreign exchange earnings from coffee, cocoa, palm oil and coconut products.

These transfers have been used for crop improvement through research and extension, agricultural diversification and to support producer prices of the four main crops. A large scale of programmes could have been developed and a lot of improvements of techniques and of increased knowledge allow us to envisage the future of the local agricultural production in PNG not only as major subsistence means but also as a future valuable commercial exportation.

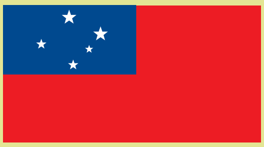
In addition, the country has benefited significantly from Sysmin, a special financing facility for countries where mining is important. Under Lomé III, € 30 million was provided to mitigating the negative effects from the closure of the Bougainville copper mine. This amount was used to support a road upgrading and rehabilitation programmes in the interest of economic diversification and for the construction of the Ramu highway.

In 2001, Papua New Guinea was allocated an additional € 50 million under Lomé IV (8th EDF), which are being used to carry out a programme aimed at strengthening the mining sector.

The EU has also given support under its structural adjustment programmes agreed with the Bretton Woods Institutions – € 5.8 million was provided to finance import programmes with the counterpart funds generated to support the education budget. The EU also contributed € 10.5 million to the reform programme launched by the World Bank and the IMF in 1999. This amount was used to reduce the stock of the country's domestic debts and assist the education and health sectors. The European Investment Bank has made a significant contribution to co-operation. As there is no national development bank in the country, the Bank of Papua New Guinea (BPNG) was used to organise a two-tier facility with selected financial institutions to on-lend to SMEs in the manufacturing, agro-industry and tourism sectors.

A major project in 1995 supported 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 Highlands province. A pilot environmental and community development programme was funded from the EU Tropical Forestry budget line for the Islands region of Papua New Guinea. The programme assisted local communities in using their forest resources for income-earning opportunities in a sustainable way, particularly through the promotion of eco-forestry. The success of the programme resulted in another being launched in March 2001 funded from the 8th EDF.

SAMOA



Date of independence: 1 June 1962

Total land area: 2,944 km^2

Total EEZ area: 120,000 km^2

Capital: Apia, Upolu

Population: 177,287 (2005 est)

Languages: Samoan and English

Main exports: Fresh fish, coconut, copra, beer, kava

GDP per capita: USD2,200.08 (2004)

Currency: Tala

Exchange rate: € 1: WST 3.31 (January 2006)

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

The Independent State of Samoa (known until 1996 as Western Samoa) comprises two main islands, Upolu and Savai'i, and seven small islands. The country's total area is 2,944 km^2 and the Exclusive Economic Zone (EEZ) totals 120,000 km^2. Its population was estimated at 177,287 in 2005 with additional Samoans living overseas in New Zealand, Australia and the US. As with many Pacific island countries, emigrants' remittances are an important source of income and ongoing emigration keeps the natural population growth rate within reasonable limits.

Samoa is a small open economy, which is dependent on a narrow resource base. Economic activity is largely dependent on limited sectors including agriculture, tourism, small-scale manufacturing and fisheries. As such, its economic performance is impacted heavily by external factors in the form of commodity export prices, remittances, tourism, and external aid resources.

Samoa is still listed as one of the world's 49 least developed countries (LDC), but this status is currently under review. It has a population of 178,000 (Population census, 2001). Samoa has a per capita income of US2281 in 2004 and growing at the rate of 3.4% per annum during 1998-2004. In terms of the human development index, Samoa has a human development ranking of 0.776.

General elections were held in 2006 with three new parties contesting against the ruling Human Rights Protection Party who have been in power for over 22 years. Although the general elections were again won by the Human Rights Protection Party, they were nevertheless an important milestone in the political life of the country. The elections were hotly contested for the first time following the entry into the arena of three new political parties, the Samoa Party, the Christian Party and the Samoa Progressive party. There were also unprecedented levels of publicity and campaign in both public and private media outlets. One positive outcome of the elections was the increase in the number of female candidates elected to parliament, which also translated into an increase in the number of female cabinet ministers.

The Samoan people hold their environment in high regard with a strong historical belief that the environment is the foundation of their prosperity, governed by the Samoan concept of *va tapuia* (the sacred relationship between people and all things).

Thus, in recent years a number of initiatives have been implemented by the government in support of effective environmental management, resulting in changes in the structures and systems introduced for sustainable development, and in promoting a higher degree of people's understanding of environmental issues and support for associated activities.

Development Co-operation

Samoa and the European Union have had cooperation agreements since 1975 when the country first signed the Lomé Convention. Under the four successive Lomé Conventions, EDF resources placed at the disposal of the country were used to fund a variety of programmes focusing on economic and social infrastructure, energy provision, micro-programmes in rural areas, and water supply and sanitation. The latter is the focal sector of EC assistance under the Cotonou Agreement.

Under Lomé I-IV Samoa received both programmable and non programmable aid amounting to € 84 million of which about 50% came from National Iindicative Programme resources, 30% were STABEX funds, 19% was EIB financing and 1% was emergency aid. Under Lomé I, Lomé II and Lomé III Convention the focus of development cooperation was on the energy sector, and the resources were devoted principally to the development of hydropower generation schemes (Afulilo Hydroelectric Scheme). Micro-projects were also funded under these Conventions, covering rural schools, health centres, water storage, agricultural development and community based projects, as well as a venture capital fund to assist small to medium enterprises in rural communities.

Under Lomé IV the emphasis shifted to social and economic infrastructure in rural areas under which a major rural water supply project was carried out and micro-projects programmes of community based operations were successfully implemented. The operations encompassed fisheries, agriculture, health, education, village tourism development and youth programmes.

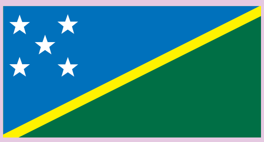
The cooperation in the water sector was considered so successful by the Government, other stakeholders and monitoring reports that it was decided to broadly maintain that as the focal sector and to continue microprojects programme as a non focal sector within the framework of the 9th EDF Cotonou Agreement under which Samoa was allocated € 20 million for the A-envelope and € 7.1 million for the B-envelope. The EC is the main donor in this sector in Samoa.

Economic Partnership Agreement (EPA): Samoa's trade with the EU is low due to a number of factors such as supply capacity, meeting EU standards, transportation costs, market access, to name a few. These are areas which should be addressed in the negotiations to ensure that an agreed arrangement is beneficial for the development of Samoa's trade, in particular exports as well as infrastructure development. The EPA should further provide support for regional integration and trade related rules. Preserving current preferential access for both traditional and non-traditional exports is a key issue.

Samoa wholly supports the EPA negotiations being conducted at the regional level and have endorsed the PACP EPA architecture of a Master Agreement with subsidiary agreements. Under the negotiation structure or arrangements, Samoa is the alternate spokes person for the Pacific ACP Regional Negotiating Team

(RNT) and the lead spokes person in the Tourism sector. In the 7 identified sectors of interest to the region Samoa is represented in three Technical Working Groups – Services & Tourism, Investment and Legal. Samoa is aware also of the EU non-reciprocal Everything But Arms (EBA) initiative for LDCs. This is an alternative which is considered an opportunity cost for a contractual arrangement such as the EPA.

SOLOMON ISLANDS



Date of independence: 7 July 1978

Total land area: 27,540 km^2

Total EEZ area: 1,630,000 km^2

Capital: Honiara, Guadalcanal

Population: 538,032 (2005 est)

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

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

GDP per capita: € 1,419.72 (2002)

Currency: Solomon Islands dollar (SBD)

Exchange rate: € 1 = SBD 8.91 (January 2006)

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

Solomon Islands, formerly known as the Happy Isles or the Islands Lost in Time, is made up of six large islands, 20 smaller ones and hundreds of small islets and coral reefs. The country is renowned because of the Battle of Guadalcanal in 1942, one of the bloodiest of the Second World War, in which tens of thousands of Japanese and American soldiers died.

The most heavily populated islands are Malaita and Guadalcanal. The main urban centre, Honiara, in the northwest of Guadalcanal, which became the Solomon Islands capital after World War II, has a population of some 45,000. The main islands are rugged and mountainous, covered with tropical rainforest and with limited arable land. However, agriculture remains the main activity for about 85% of the population. The population growth rate is one of the highest in the world (2.8%); about 94% is Melanesian, the remaining are Polynesian and Micronesian.

The country is richly endowed with natural resources, particularly forests, which are under constant threat of over-exploitation. There are considerable marine resources whose exploitation has been sustainable, but which need to be carefully guarded. In addition to industrial fishing, marine resources are important as a source of dietary protein.

Following independence, Solomon Islands remained a member of the Commonwealth as a constitutional monarchy represented by a Governor-General. The Prime Minister heads the Government and the legislature is the unicameral 50-seat National Parliament formed by multi-party members elected for a four-year term.

Ethnic conflicts between inhabitants of Malaita and Guadalcanal in 1999 and 2000 had very negative impacts on the social and economic development of the country. The government elected in December 2001 is trying to restore peace and economic growth, with the support of the international community.

Development co-operation

Under the first and second Lomé Conventions, support focused on transport, communications, conservation of natural resources and rural development. The quality of telephone communications was vastly improved and six airstrips were equipped with navigational aids.

Reforestation projects made significant progress under Lomé I and II, and micro-project programmes contributed to rural development.

The Lomé III and IV National Indicative Programmes emphasised rural development by strengthening the smallholder sector directly in terms of its capacity to produce and earn income from exports (cocoa, copra, chillies, fisheries, clams) and indirectly by improved access to markets by investments in rural infrastructure. At the same time, efforts were made to improve the quality of rural health services and to train young people for skills applicable in village life. The most important rural project is the Malaita Rural Infrastructure Project (€ 7.2 million), opening up isolated agricultural areas. 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 42 rural training centres, involving about 3,000 students.

The EC Country Support Strategy for the Solomon Islands will be financed through different instruments with the following allocations: (a) an A-envelope of € 6.7 M which is to be divided between Sustainable Rural Development (85%) and

Direct Support to Non-State Actors (15%); (b) an B-envelope of € 7.8 Mto be mobilised to provide additional support when this become necessary as a result of external factors.

The focal sector is Sustainable Rural Development. The overall objective is to reduce poverty, social inequality and dependence on state intervention. To respond to expressed needs of rural communities for social and socio-economic development within their socio-cultural context can be seen as a specific objective. Outputs include access to improved social services (education, health, support to women and youth) and public utilities, increased employment and income within target groups, access to improved and/ or extended economic infrastructure and the creation of more self-reliant communities.

The substantial Stabex allocations under the 8th EDF (€ 71 million in total) are mainly allocated to education (37%) and inter island transport (35%).

TIMOR LESTE

Date of independence: 22 May, 2002

Total land area: 15,007 sq km (land and sea)

Capital: Dili

Population: 1,062,777 (July 2006 est)

Languages: Tetum and Portugese (official), Indonesian, English

GDP per capita: $800 (2005 est)

Currency: US dollar

Background

Timor-Leste was occupied by neighbouring Indonesia at the end of 1975 following the end of 450 years of Portuguese colonial rule. In August 1999, a UN-organised referendum saw the great majority of the East Timorese voting for independence. This was immediately followed by a reaction of widespread violence, perpetrated by the Indonesian military and pro-Indonesia militias, causing considerable human losses and nationwide destruction of physical assets. After security and stability were restored by a UN multinational peacekeeping force, elections for a Constituent Assembly and a President were successfully held and on 22 May 2002 Timor-Leste became an independent nation. Later that year it also became a member of the United Nations. After independence, Timor-Leste faced the daunting task of building a new state out of the ashes of the 1999 carnage and 24 years of Indonesian occupation. However, with the support of the international community, Timor-Leste made a series of remarkable achievements with its reconstruction, the establishment of state institutions and the adoption of the most needed legislation.

EU Development Cooperation

The EU (Member States and European Commission together), has been a very important partner for Timor-Leste since 1999. Due to their long historical links, Timor-Leste also maintains a special relationship with Portugal, which is EU's largest country donor to Timor-Leste. Two EU Member States, Portugal and Ireland, have Embassies in Dili, and the EC (since February 2001) and GTZ (Germany) have technical offices in the country. The EC Delegation in Jakarta is currently also in charge for Timor-Leste.

The contribution of the EU from 1999 until now has amounted to more than € 600 million, almost half of the total contribution to the country by the international community. The EU assistance started with assistance to the referendum, and was followed by support to the UNTAET mission (UN transitional Authority for East Timor). The EU assisted with the first national elections, and, through the Trust Fund for East Timor (TFET), for two thirds financed by the EU, strongly supported the physical and functional rehabilitation of the country and its institutions, and their services and state building activities. EU Members continue to contribute with budget support through the World Bank (CSP), and with cooperation in education, justice, rural agriculture, health and institutional capacity building and training, and support for gender equality, human rights and civil society.

The European Commission (EC) has also played a major role since 1999 as a substantial partner in the rehabilitation and development of Timor-Leste, contributing with over € 200 million in development aid grants, to support the country in pursuing its sustainable development goals. The EC's approach until now has been a good example of linking relief, rehabilitation and development. It has included a phase of emergency and humanitarian aid, of nation building and reconstruction, and of longer term development cooperation.

In this third phase, as set out in the Country Strategy Paper 2002-06, a priority focus on food security, rural development and health has been the backbone of the EC support, while capacity building, gender and good governance have been the main crosscutting issues. Significant support has further been provided to NGOs and civil society. In the Health Sector, the main focus was on ensuring provision of basic public health services at appropriate levels of technology and infrastructure. In Rural Development the actions included support to improving government services, agricultural productivity, community livelihoods, access to markets and services, and women's empowerment. Most actions included capacity-building of public institutions and civil society. All programmes aim to support Timor-Leste in its long-term development and in achieving its poverty-reduction targets at grass-roots level.

The EU is well respected and seen as a reliable partner with no geopolitical interests, and an important ally in facilitating Timor-Leste's regional integration. While its long term aim remains to become part of ASEAN, Timor-Leste in the meanwhile has signed the Cotonou agreement, and in May 2003 was accepted by the ACP-EC Council of Ministers as a new member of the African, Caribbean, and Pacific (ACP) group of countries. In December 2005 Timor-Leste ratified the Cotonou Agreement, thus also enhancing Timor-Leste's integration with its Pacific neighbors and the group of ACP States in partnership with the European for political, economic and development cooperation, and becoming a beneficiary of the European Development Fund (EDF).

Timor Crisis

In January 2006, an ongoing socio-political crisis began, triggered by protests over increasing dissatisfaction and allegations of discrimination within the East Timorese armed forces, leading to the subsequent dismissal of nearly 600 soldiers in March 2006. The root causes of the conflict, however, lie much deeper, in particular in the ongoing power struggle within the political elite which is based on frictions and divisions dating back to the time of Indonesian occupation in the 1970s and 80s. The young state institutions, encumbered by political in-fighting as well as a general lack of capacity, struggled to handle the emerging crisis appropriately. Perceived divisions within the security forces between easterners ("*Lorosae*") and westerners ("*Loromonu*") were used by competing political forces giving the conflict an additional ethnic dimension, thus exacerbating the crisis. The situation quickly escalated, finding fertile ground with the people, and especially youngsters, facing high levels of urban unemployment and widespread rural poverty, seeing an opportunity to express their discontent and frustration.

The political power struggle and conflict within the armed forces resulted in a series of demonstrations in April that turned violent and left several people dead. The situation continuously deteriorated and saw fierce clashes between different factions of the army as well as between the military and special police units. In May 2006 the Timorese government was eventually forced to issue a request international assistance to stabilise the situation. Australia, New Zealand, Portugal and Malaysia deployed troops to Timor Leste in May 2006.

Prime Minister Mari Alkatiri ultimately resigned in June and was replaced by former Minister of Foreign Affairs and Peace Nobel Price Laureate, Jose Ramos Horta who is now the country's elected President.

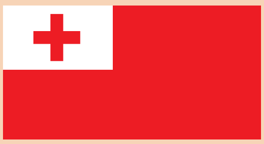
The EU's Response to the Crisis and Future Support

In June 2006, in swift response to the crisis, the Commission adopted a € 3 million humanitarian emergency assistance package to help displaced Timorese through ECHO. The EC further immediately made available an additional € 4 million through the Rapid Reaction Mechanism (RRM). These funds are being used to support the National Dialogue at all levels of society, with the help of Club of Madrid, through the National Commission for Dialogue, and to finance a project of "cash for work" for urban youth, aiming at reducing the tensions among unemployed youngsters, which became a major factor of insecurity during the crisis.

In June 2006, the new Country Strategy Paper was further also presented and a National Indicative Programme (NIP) signed for the bridging period of 2006-07 (the last remaining years of the 9th EDF). This provides a total of € 18 million in additional support for Timor-Leste, and focuses on sustainable rural development and institutional capacity building. The rural development component (€ 12 million) targets socio-economic development of the poorer rural areas, in order to achieve sustained poverty reduction and food security and improved service delivery, by supporting the Government's own sector investment plan (SIP) for agriculture, forestry and fisheries. The capacity building component (€ 6 million) is in line with the Government's goal of achieving sustainable national capacity for effective planning and financial management and improved service delivery. It includes support to: management of the national budget, identification and commitment of EDF resources, development of a trade strategy, preparation of an Economic Partnership Agreement (EPA), and support to the National Elections planned for April 2007 (including EU observers).

A further Country Strategy Paper, committing € 63 million to Timor-Leste for the period 2008-13, is being prepared, under the 10th European Development Fund. It is expected that the priorities of EC cooperation will remain similar to those pursued based on the two previous CSP's. This shows the strong and continued EU support to Timor-Leste, all the more important in the context of the current challenges faced by the country.

TONGA



Date of independence: 4 June 1970

Total land area: 718 km^2 (some 169 islands, 45 inhabited)

Total EEZ area: 700,000 km^2

Capital: Nuku'alofa, Tongatapu

Population: 112,422 (2005 est)

Languages: Tongan and English

Main exports: Squash pumpkin, fish, vanilla

GDP per capita: € 1,921.21 (2002)

Currency: Pa'anga (Tonga $ – TOP)

Exchange rate: € 1 = TOP 2.49

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

The people of the Polynesian Kingdom of Tonga, just West of the international dateline, are the first in the world to see each new day. The Kingdom covers nearly a thousand times more sea than land. Comprising 169 islands, of which only 45 are inhabited, with a total land area of 718 km^2, Tonga is formed of four main island groups – Tongatapu, Ha'apai, Vava'u and Niuas.

Agriculture is the principal economic sector. It provides a livelihood for two-thirds of the population and accounts for about one-third of GDP. The copra and banana sectors, which dominated exports in the 1970s and 1980s, have been replaced by squash-pumpkin exports to Japan as well as 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 efforts to diversify. The potential of fisheries is significant, but at present accounts for just five percent of GDP. A small manufacturing sector is concentrated mainly at the Small Industries Centre located outside Nuku'alofa.

Tonga's physical beauty and highly traditional society make it a popular tourist destination, attracting tens of thousands of visitors each year.

Development Co-operation

The EC's aid to Tonga has historically concentrated on the development of the island group of Vava'u. Following its focus on infrastructure in previous EDFs, the 9th EDF programme's focus shifted to education, health and sanitation on the Vava'u group of islands.

Funds available under envelope A amounted to € 3.7 million, € 2 million were allocated to envelope B.

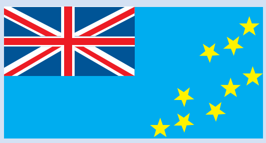
The Vava'u Social Sector Support Programme absorbs € 3 million out of the A-envelope. In view of the good progress in implementing the programme it was decided to increase the financial ceiling of the Financing Agreement by € 0.5 million for very urgent projects in social sectors and for sustaining previous investments made in the region. In addition, provisions are made to fund a Technical Cooperation Facility for a total of € 0.5 million financed from balances of previous EDFs.

In the light of the assessment in the framework of the End-of-Term-Review of the 9th EDF carried out in 2006, it was decided to maintain the country strategy for Tonga, as contained in the CSP and NIP, but to broaden the geographic scope. It was further decided to maintain the funds available under envelope A as well as envelope B.

The regional allocation amounts to € 29 million and includes three focal sectors "Economic Integration and Trade" (€ 9 million), "Human Resources Development" (€ 8 million) and "Fisheries" (€ 5 million) and a non-focal sector, for extension of the 8th EDF programmes to the six new ACP countries (€ 7 million).

For the 10th EDF, the EC's indicative allocation for the Kingdom of Tonga is € 4,719,547, and the focal sector of water and energy, in particular renewable energy, will absorb 85%, e.g. € 4.0 million of envelope A. In the non-focal area, 15% of envelope A, e.g. € 0.7 million are foreseen for the Technical Cooperation Facility, including Technical Assistance to the NAO and support for good governance, as well as for Non-State Actors programmes.

Tuvalu



Date of independence: 1 October 1978

Total land area: 26 km^2 (a group of atolls, eight inhabited islands)

Total EEZ area: 757,000 km^2

Capital: Funafuti

Population: 11,636 (2005 est)

Languages: Tuvaluan and English

Main exports: Stamps and copra

GDP per capita: € 918.83 (2000)

Currency: Australian dollar (AUD)

Exchange rate: € 1 = AUD 1.62 (January 2006)

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

Tuvalu is one of the smallest and most remote of the Pacific ACP countries. Its nine coral atolls extend over 560 km and at no point is the land more than five metres above sea level. Because of this atoll terrain, there are no rivers and the land is infertile. There are a few local products, such as coconuts, bananas and breadfruits, however, the country is heavily dependent on imports to cover its basic needs. Its exports are extremely limited, consisting of copra and stamps, however, the country earns significant income from the sale of internet domain.tv.

With a huge Exclusive Economic Zone – 30,000 times as large as its land area – the fisheries sector holds considerable potential. At present the country has neither the financial nor the human resources to develop the sector independently, but it obtains revenue from the licences granted to foreign fishing vessels. Additional sources of revenue include remittances from the numerous Tuvaluans working abroad.

The islanders of Tuvalu are Polynesians and until independence in 1978 their islands were combined with Micronesian neighbours in the north to form the

Gilbert and Ellice Islands. Of the total population of Tuvalu, a large proportion live in or around the capital Funafuti.

Development Co-operation

Since Tuvalu's independence in 1978 it has been allocated € 6.8 million in grant aid under Lomé I to Lomé IV and € 4.4 million in assistance from the European Investment Bank. Under Lomé I to III, funds were used for the energy sector, water and coastal protection. The greater part of the Lomé IV allocation went to a fuel import programme aimed at providing balance-of-payments and budgetary support to the government, which uses the funds to finance health and education. Primary schools on two outer islands were also rehabilitated.

The Lomé IVbis allocation focuses on projects in the education and environment sectors.

Tuvalu has received Stabex transfers totalling € 485,256 for losses of earnings on copra.

Under the 9th EDF, Tuvalu was allocated € 3.3 million under the A-envelope (to be used for social sector development) and € 0.3 million from the B-envelope. The Outer Islands Social Development Support Programme (OISDSP) targets the outer islands in the areas of education, environment and water.

Based on the key strategic directions contained in the EU Pacific Strategy, the Pacific Plan and Tuvalu's National Development Strategy, the Te Kakeega II, the focal sector under the 10th EDF shall be water and sanitation including a significant waste management component and possibly renewable energy. It is agreed that Non State Actors shall be included in a significant and meaningful way in the implementation of the focal sector programme.

The EC indicative allocation for Tuvalu is € 3.96m. 88% is earmarked for the focal sector of water and sanitation, too. A further 12% is earmarked for a Technical Cooperation Facility which includes funds for governance-related activities.

VANUATU

Date of independence: 30 July 1980

Total land area: 12,189 km^2 (12 main and over 70 small islands)

Total EEZ area: 680,000 km^2

Capital: Port Vila, Efate

Population: 205,754 (2005)

Languages: English, French and Bislama, and about 100 indigenous languages

Main exports: Copra, beef, sawn timber

GDP per capita: € 2,088.50 (2003)

Currency: Vatu (VUV)

Exchange rate: € 1 = VUV 137.02 (January 2006)

(Source: CIA Factbook; www.cia.gov/cia/publications/factbook/geos/cw.html)

Background

The Republic of Vanuatu, an archipelago of 80 islands, has a land surface of just over 12,000 km^2 and an Exclusive Economic Zone of about 680,000 km^2. The majority of the population is Melanesian and 25% 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.

More than 100 languages exist on the islands, however Bislama is popularly spoken and the official languages – French and English – are used in schools, the civil service and in business. Before independence, Vanuatu since 1906 had been administered as the Anglo-French condominium, the New Hebrides.

Agriculture is the most important sector of the economy. Like other Pacific Island countries, the traditional cash crop, copra, has suffered from the collapse of world market prices in recent years. The livestock sector is important for both the domestic and export markets. Cocoa, sawn timber and vanilla are also exported.

Fisheries provide income in the form of licence fees and from small-scale fishing operations. Most of the country is covered by natural forests, a potential benefit where exploitation is sustainable.

The formal economy is dominated by services, including government, tourism (a growth sector) and an offshore financial centre. The country also has a small manufacturing sector (involved principally in the processing of imported products).

Development Co-operation

Vanuatu was allocated € 2.8 million and € 4.5 million under Lomé I and II, with programmable aid destined mainly to finance development projects in rural areas. A coconut development project (€ 2.1 million) encouraged smallholders to rejuvenate stands by planting new varieties and replacing non-productive trees. In the fisheries sector, numerous small-scale village projects were started. Further assistance supported a livestock programme and microprojects.

Rural development was the priority under Lomé III. A cultural co-operation project funded the establishment of a cultural and historical site survey, recording Vanuatu's rich cultural and archaeological heritage. Under Lomé IV, the emphasis shifted to infrastructure involving building or upgrading main roads on six islands and improving 46 primary schools. An 8th EDF project aims to increase the number and quality of junior secondary schools in rural areas and to build a library for the Teachers' College.

The EIB has provided finance for the Vanuatu Development Bank – in risk capital and for on-lending to smallholders – in the amount of € 2 million. Stabex payments have totalled € 32.15 million, primarily for copra losses. Emergency aid of € 834,000 was granted in the wake of six cyclones between 1985 and 1993 and the volcanic eruption in 2001.

Funding was provided in 1998-1999 for technical assistance for the Vanuatu Ombudsman's Office. The forestry sector has benefited from projects to encourage small-scale, sustainable forestry industry (saw milling) and a study to identify investment opportunities for private forestry development. The three-year Landowner Awareness and the Reforestation project started in March 2001.

Under the 9th EDF, Vanuatu has been granted € 15.3 million, of which € 12 million comes from the A-envelope and € 3.3 million from the B-envelope. Projects will focus on human resource development through an education and training support programme.The main aim is to increase the number of students obtaining secondary and vocational qualifications and increase marketable skills. The programme will also cover the construction and rehabilitation of junior secondary schools, strengthen training in the tourism sector and upgrade roads.

Overseas Countries and Territories (OCTs) in the Pacific Region

Since its foundation, the EU has provided assistance to its Overseas Countries and Territories (OCTs). In the Pacific, the Territories of New Caledonia, French Polynesia and Wallis and Futuna are under French administration, while Pitcairn is under British administration.

The three French Territories have small populations – New Caledonia has 216,494 (2005 est) inhabitants, Wallis and Futuna 16,025 (2005 est) and French Polynesia 270,485 (2005 est). Their economies are heavily dependent on transfers from metropolitan France. Wallis and Futuna is still a subsistence economy and is dependent on French funding of infrastructure and ongoing expenditures.

French Polynesia's economy has been transformed by French transfers for more than 30 years, linked to nuclear and military activities in the territory. With the ending of these activities and the associated transfers – exacerbated by a huge trade imbalance – the Territory is restructuring its economy and developing its potential, with French aid.

The population of Pitcairn, the only Pacific British OCT, is around 47. OCTs receive individual and regional allocations from the European Development Fund, including non-programmable aid, such as cyclone recovery aid.

New Caledonia

In the past, the EU's co-operation programme has contributed to sectors such as agriculture, transport, energy and training. With an allocation of € 12.5 million for the period 1990-1995, assistance was given to the development of economic and social infrastructure, the development of human resources and to economic diversification.

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

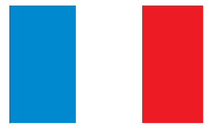
New Caledonia's allocation for the period 1995-2000 was € 15.8 million, used for infrastructure development, partial urban environment improvement, the construction of fisheries facilities and a cold chain for products in Nouméa. The Authorities presented a request for a 8th EDF Sysmin intervention, which has been considered eligible during the diagnostic study. The allocation of € 2.5 million may be used to support the mining sector in the areas of training, environmental and prospecting activities.

French Polynesia

Assistance from the € 13.1 million allocation in the period 1990-1995 concentrated primarily on marine biological resources with continued support to the black pearl industry, the country's major export earner. It also focused on the development of a tuna fishing fleet and the environment, the preservation of which is essential for the maintenance and development of tourism, from which the Territory also derives significant earnings. A large urban sewerage project was implemented on the island of Tahiti.

French Polynesia's allocation for the period 1995-2000 was € 14.1 million, which supported an environmental improvement programme for Bora-Bora, the development of the pearl sector and a general study fund.

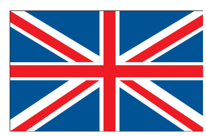
Wallis and Futuna



Infrastructure projects have absorbed the greater part of the assistance provided. Past projects have included a wharf extension in Wallis, the electrification of Futuna and road works. The 1990-1995 allocation of € 4.6 million concentrated on the development of economic infrastructure, in particular on road construction and/or improvements.

Wallis and Futuna's allocation for the period 1995-2000 of € 6.4 million covered the development of maritime infrastructure and environmental preservation.

Pitcairn



Background

Pitcairn is one of the twelve overseas territories of the United Kingdom (UK) and is located in the south of the Pacific Ocean. The capital city is Adamstown; however, the general administration is managed by the Pitcairn Islands Office located in Auckland (New Zealand), 5310 km away. The territory is composed of Pitcairn, Henderson, Ducie and Oeno. Pitcairn is the only inhabited island (47 inhabitants). Pitcairn is quite isolated as there is limited access to the island: naval connections are increasingly intermittent while there is no airport.

Pitcairn is based upon a self-sufficient economy, through the exchange of fish, horticulture and handicrafts. Equally, the sales of fruits, honey, postal stamps, in addition to the registration of Internet Domains play a role in their economy. In the last year the income rate has decreased while the budgetary reserves (Pitcairn Investment Fund) are no longer available. (Eco)tourism in Pitcairn has economic potential however access to the territory would need to be improved. Imports come primarily from New Zealand. In the absence of formal taxes, each person between the age of 15-65 have to carry out public work. Unemployment does not exist in Pitcairn and the entire population is entitled to school education.

The British High Commissioner to New Zealand also serves as the Governor of Pitcairn and is assisted by the Pitcairn Islands Office in Auckland. The Pitcairn Islands Office is managed by a Commissioner appointed by the Governor. The Governor exercises legislative power, in certain fields with the approval of the UK Foreign Secretary. Foreign relations, defence and domestic security are guaranteed by the UK.

At the insular level, the Island Council – elected annually – manages the internal affairs under the presidency of the Island Mayor. A UK diplomat, the Governor's Representative, resides in Pitcairn and participates in Island Council meetings, however, does not have the right to vote. The Governor is Richard Fell; the Commissioner managing Pitcairn Islands Office is Leslie Jaques; The Island Mayor is Jay Warren (since December 2004).

At the regional level, Pitcairn is a member of the Secretariat of the Pacific Community (SPC).

Development Co-operation

Pitcairn for the first time benefited from Development Aid under the 8th EDF for its transportation sector that amounted to € 350,000 Euros, which was reallocated in the 9th EDF as there was a delay in the execution.

Under the 9th EDF, a budgetary assistance of € 2 million is provided for. This aid is focused on infrastructure, in particular harbour, air, road and communication infrastructure.

Pitcairn does not benefit from regional or international development projects.

UK assistance is concretised through the following:

- Good Government Fund for UK Overseas Territories: Approximately € 38,000 has been granted to Pitcairn for good governance projects.
- Aid is focused on harbour and road infrastructure.

The UK stresses an importance on environmental conservation. Henderson Island is a large coral atoll and is on UNESCO's list of World Heritage Sites.

List of Abbreviations

ACP	African, Caribbean and Pacific countries
AOSIS	Alliance of Small Island States
APEC	Asia–Pacific Economic Co-operation
CDE	Centre for the Development of Enterprise
CFSP	Common Foreign and Security Policy
CROP	Council of Regional Organisations in the Pacific
CSP	Country Strategy Paper
DOM	French Overseas Departments
DSAP	Development of Sustainable Agriculture Programme
DWFN	Distant Water Fishing Nations
EBA	Everything But Arms trade initiative
EBAS	EU-ACP Business Assistance Scheme
EC	European Commission
ECHO	European Community Humanitarian Office
ECSC	European Coal and Steel Community
EDF	European Development Fund
EEZ	Exclusive Economic Zones
EIB	European Investment Bank
EPA	Economic Partnership Agreement
EU	European Union
FFA	Forum Fisheries Agency
FEMM	Forum Economic Ministers Meeting
FSM	Federated States of Micronesia
GATS	General Agreement on Trade in Services
HRD	Human Resource Development
IMF	International Monetary Fund
INTERREG	The EU's Inter-Regional Co-operation programme
LDC	Least Developed Countries
LDLICs	Landlocked and Island ACP States
MS	Member States (EU)
MSG	Melanesian Spearhead Group
NARES	National Agricultural Research and Extension Services
NGO	Non-governmental organisation
NIP	National Indicative Programme
OCT	Overseas Countries and Territories associated with the EU

OECS	Organisation of Eastern Caribbean States
OFP	Oceanic Fisheries Programme
PACER	Pacific Area Closer Economic Relations Agreement
PACP	Pacific ACP countries
PICTA	Pacific Island Countries Trade Agreement
PIDP	Pacific Islands Development Programme
PIFS	Pacific Islands Forum Secretariat
PNG	Papua New Guinea
PRO€INVEST	Promotion of foreign direct investments (EU-driven)
RIP	Regional Indicative Programme
RMI	Republic of the Marshall Islands
SIDS	Small Island Developing States
SMEs	Small-to-medium sized enterprises
SOPAC	South Pacific Applied Geo-science Commission
SP	Sugar Protocol
SPARTECA	South Pacific Area Regional Trade and Economic Co-operation Agreement
SPC	Secretariat of the Pacific Community
SPREP	South Pacific Regional Environment Programme
SPTO	South Pacific Tourism Organisation
STABEX	Scheme for Stabilisation of Export Earnings
SYSMIN	Special financing facility for mining products
TVET	Technical Vocational Education and Training
UN	United Nations
UNCLOS	UN Convention on the Law of the Sea
USP	University of the South Pacific
WTO	World Trade Organisation

USEFUL SITES

African, Caribbean and Pacific Group of States (ACP Group) – General Secretariat:
http://www.acpsec.org

Alliance of Small Islands States (AOSIS):
http://www.sidsnet.org/aosis

Caribbean Community and Common Market (CARICOM):
http://www.caricom.org

Center for the Development of Enterprise (CDE):
http://www.cde.int

EU-ACP Business Assistance Scheme (EBAS):
http://www.ebas.org

Fiji School of Medicine
http://www.fsm.ac.fj

Forum Fisheries Agency (FFA):
http://www.ffa.int

Pacific Islands Development Programme (PIDP):
http://www.eastwestcenter.org/pidp-ab.asp

Pacific Islands Forum Secretariat (PIFS):
http://www.forumsec.org.fj

Secretariat of the Pacific Community (SPC):
http://www.spc.org.nc

Small Islands Developing States Network (SIDS)
http://www.sidsnet.org

South Pacific Applied Geo-science Commission (SOPAC):
http://www.sopac.org.fj

South Pacific Regional Environment Programme (SPREP):
http://www.sprep.org.ws

South Pacific Tourism Organisation (SPTO):
http://www.tcsp.com

University of the South Pacific (USP):
http://www.usp.ac.fj

European Commission:
http://ec.europa.eu

DG Development:
http://ec.europa.eu/development

DG Fisheries:
http://ec.europa.eu/fisheries

DG RELEX:
http://ec.europa.eu/external_relations

DG TRADE:
http://ec.europa.eu/trade

ECHO:
http://ec.europa.eu/echo

EuropeAid:
http://ec.europa.eu/europeaid

European Investment Bank:
http://www.eib.org

Information Society (INFSO):
http://ec.europa.eu/information_society

Press:
http://europa.eu/press_room

Publications Office:
http://publications.europa.eu

International Monetary Fund (IMF):
http://www.imf.org

Organisation for Economic Co-operation and Development (OECD):
http://www.oecd.org

United Nations (UN):
http://www.un.org

World Bank:
http://www.worldbank.org

World Trade Organisation (WTO):
http://www.wto.org

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