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# THE SOUTH PACIFIC AND THE EUROPEAN COMMUNITY

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# INTRODUCTION

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

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

In 1975 the Community signed an overall co-operation agreement - the Lomé Convention - with a group of independent African, Caribbean and Pacific

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

As signatories to the Lomé Convention and its successors these eight Pacific States, along with New Caledonia, French Polynesia and Wallis and Futuna (associated, as French overseas territories, with the Community since 1958), are entitled to a number of trade and aid advantages.

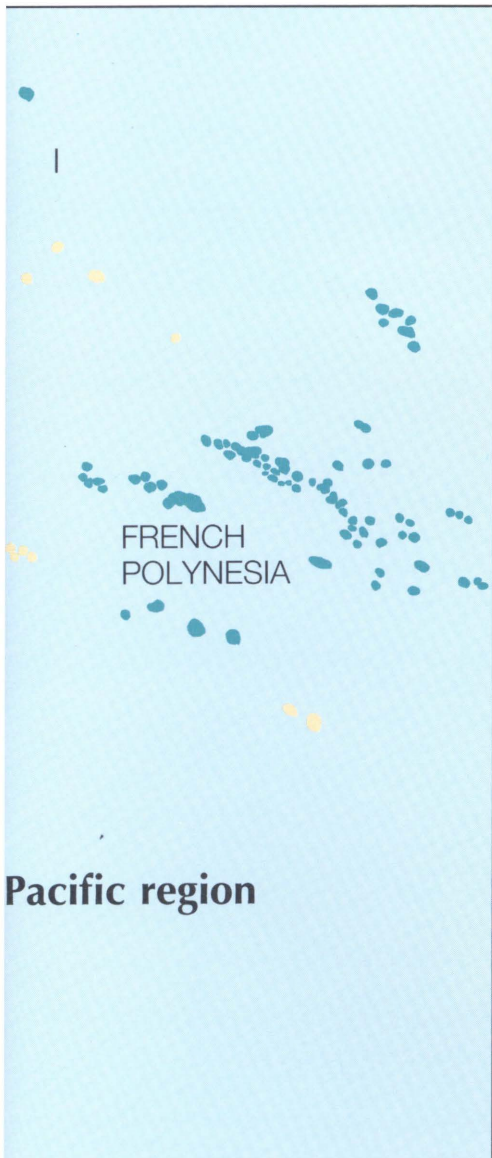
On the trade side, the Community takes roughly 50% of these countries' exports, free of duties or quotas. Overall, the trade balance is very much in their favour. Special arrangements for sugar, and for compensation for losses on exports of other commodities, are also of assistance.

On the aid side the Community has introduced a significant programme of

financial and technical co-operation. Although the EC is by no means the largest donor in the Pacific ACP countries - Australia and Japan both give more - it will have transferred over 700 million ECU (1) to them over the first 15 years of the Lomé Convention. Together with its member states, the Community provides on average some 14% of all assistance to the South Pacific independent countries.

The importance of EC-Pacific relations is underlined by the permanent presence in Brussels of three Pacific ambassadors, representing Papua New Guinea, Fiji and Western Samoa. The Commission of the European Communities maintains three delegations and three sub-offices in the Pacific to implement its aid programme.

This brochure presents the principal aspects of EC - Pacific co-operation.



|                                     | EUROPEAN COMMUNITY                       | PACIFIC ACP STATES                                  |
|-------------------------------------|--|---|
| Countries                           | 12                                       | 8   |
| Population                          | 322 271 000                              | 4 600 000   |
| Land area                           | 2 559 197 sq. km.                        | 527 000 sq. km.<br>(EEZ area<br>11 730 000 sq. km.) |
| Average GNP per head in US\$ (1985) | 6 614                                    | 726   |
| Main exports                        | Steel, Vehicles,<br>Machinery, Chemicals | Copra, Cocoa, Sugar<br>Gold, Copper                 |



(1) ECU = European Currency Unit

# THE EUROPEAN COMMUNITY AND DEVELOPMENT CO-OPERATION

## The Community in Europe

The European Community is made up of twelve countries: Belgium, Denmark, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom. All these countries have signed three treaties which form the framework for the construction of a united Europe:

- the European Coal and Steel Community (ECSC) treaty of 1951;
- the European Atomic Energy Community (EURATOM) treaty of 1957;
- the European Economic Community (EEC) treaty of 1957.

The aim of the treaties is the formation of an economic union - bringing with it closer political cooperation - in which goods, people, capital and services can circulate freely and where foreign trade, agriculture, transport and other sectors of the economy are governed by common policies.

## The Community in the World

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

It has supported successive rounds of tariff reductions - at under 4% the average level of its own external tariff is one of the lowest in the world - and, since 1971, has operated a scheme of generalized preferences to encourage developing countries' exports. It is a party to all international commodity agreements, and has set up a sizeable fund to help stabilize the export earnings of many producer countries.

In addition to its trade activities, the Community contributes to the economic development of the majority of countries in the Third World. It devotes a share of its annual budget to aid programmes in the southern and eastern Mediterranean, in Asia and in Latin America; and it provides assistance to 66 African, Caribbean and Pacific countries from the European Development Fund.

Community aid funds represent about 12% of the total aid effort of its Member

## European Community Institutions

1. **The Council of Ministers:** the decision-making body, where Member States are represented at ministerial level.
2. **The Commission:** proposes and administers common policies and makes sure that the treaties are observed. It has 17 members, called "Commissioners", appointed every four years.
3. **The European Parliament:** adopts the Community budget every year after discussions with the Council of Ministers and gives its opinion on Commission proposals. It has 518 members, directly elected every five years.
4. **The Court of Justice:** settles disputes arising from the application of Community law. It has 13 judges.
5. **The Court of Auditors:** checks that Community funds are properly spent.

Other bodies:

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

**The European Investment Bank (EIB):** endowed with capital subscribed by the Member States, the Bank raises money on capital markets to finance loans to Community countries and Mediterranean and ACP developing countries.

## The European Development Fund

The European Development Fund (EDF), to which all EEC Member States contribute, finances projects and programmes in African, Caribbean and Pacific countries which have signed the Lomé Convention. It is administered by the Commission (with the exception of risk capital, administered by the European Investment Bank).

The Fund is renewed each time a new Convention is signed. Since 1958, when the first EDF was set up, there have been six successive Funds, each one backing up a five-year Convention. Thus the fourth EDF corresponded to the first Lomé Convention (1975-80), the fifth EDF to Lomé II (1980-85) and the sixth EDF to Lomé III (1985-90).

The bulk of the EDF is divided among the ACP countries and regions for

their national or regional development programmes. Each country and region is allocated a fixed amount at the start of each Convention (141 million ECU<sup>(1)</sup> for the Pacific from the sixth EDF). The remainder is used for assistance of a kind that depends on circumstances, e.g. Stabex transfers, emergency aid.

Member States' contributions to the sixth EDF:

|                 |        |
|-----------------|--------|
| Belgium:        | 3.96%  |
| Denmark:        | 2.08%  |
| F.R. Germany:   | 26.06% |
| France:         | 23.58% |
| Greece:         | 1.24%  |
| Ireland:        | 0.55%  |
| Italy:          | 12.58% |
| Luxembourg:     | 0.19%  |
| Netherlands:    | 5.64%  |
| Portugal:       | 0.88%  |
| United Kingdom: | 16.58% |

(1) ECU = European Currency Unit (= 1.1 US dollar in June 1989).



States, which between them provide almost one third of all official development assistance.

## The Lomé Convention and the ACP group

The Lomé Convention has four essential features:

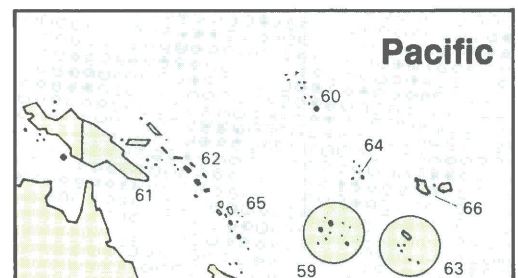
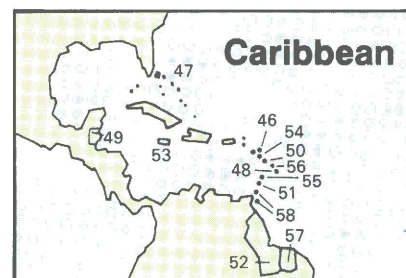
- It is a five-year contract freely negotiated between equal partners. The security it offers enables the associated countries to plan their economies with greater confidence.
- It is non-aligned in that it respects each partner's freedom to choose its economic system, political regime and development model. It embraces countries represented by governments of varying political tendencies.
- It is a comprehensive agreement that combines a whole range of co-operation instruments providing a balanced response to needs that vary with economic structures and levels of development. The Pacific States, like all other countries that have signed Lomé, decide themselves which development instruments to use, according to their own priorities.
- Its institutions (ACP-EEC Council of Ministers and Committee of Ambassadors, ACP-EEC Joint Assembly) make for a permanent dialogue between governments and with the European Parliament.

These institutions operate at different levels:

- The ACP-EEC Council of Ministers manages the Lomé Convention at government level, and is the ultimate decision-maker on questions of co-operation.
- The ACP-EEC Committee of Ambassadors (based in Brussels) meets more often than the Council of Ministers. This Committee monitors ACP-EEC co-operation and has certain powers delegated to it by the Council of Ministers.
- The ACP-EEC Joint Assembly contains two representatives of each ACP state and an equal number of members of the European Parliament. Its work is prepared by a Joint Committee which meets twice a year.

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

## ACP COUNTRIES



## The ACP Group

Founded in 1975, with the signing of the Georgetown Agreement.

### Institutions

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

### ACP COUNTRIES

#### AFRICA

- 1 Angola
- 2 Benin
- 3 Botswana
- 4 Burkina Faso
- 5 Burundi
- 6 Cameroon
- 7 Cape Verde
- 8 Central African Republic
- 9 Chad
- 10 Comoros
- 11 Congo
- 12 Equatorial Guinea
- 13 Ethiopia
- 14 Gabon
- 15 Gambia
- 16 Ghana
- 17 Guinea
- 18 Guinea Bissau
- 19 Ivory Coast
- 20 Jibuti
- 21 Kenya
- 22 Lesotho
- 23 Liberia
- 24 Madagascar
- 25 Malawi
- 26 Mali
- 27 Mauritius
- 28 Mauritania
- 29 Mozambique
- 30 Niger
- 31 Nigeria
- 32 Rwanda
- 33 Sao Tome Principe
- 34 Senegal

- 35 Seychelles
- 36 Sierra Leone
- 37 Somalia
- 38 Sudan
- 39 Swaziland
- 40 Tanzania
- 41 Togo
- 42 Uganda
- 43 Zaire
- 44 Zambia
- 45 Zimbabwe

#### CARIBBEAN

- 46 Antigua and Barbuda
- 47 Bahamas
- 48 Barbados
- 49 Belize
- 50 Dominica
- 51 Grenada
- 52 Guyana
- 53 Jamaica
- 54 Saint Christopher & Nevis
- 55 Saint Vincent
- 56 Saint Lucia
- 57 Suriname
- 58 Trinidad & Tobago

#### PACIFIC

- 59 Fiji
- 60 Kiribati
- 61 Papua New Guinea
- 62 Solomon Islands
- 63 Tonga
- 64 Tuvalu
- 65 Vanuatu
- 66 Western Samoa



# THE SOUTH PACIFIC AND THE EUROPEAN COMMUNITY

## The South Pacific islands' economies

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

With the exception of Papua New Guinea, which is not much smaller than Spain, land areas range from modest to minuscule. The other seven ACP countries put together represent a smaller area than Ireland.

All are thinly populated. Even Papua New Guinea, which contains roughly two thirds of the region's total population, only has some 3.5 million inhabitants. Numbers are increasing however: the birth rate, at over 3% is high.

The South Pacific islands lie between the Equator and the Tropic of Capricorn, and their climate, vegetation and produce are tropical. Some are volcanic in origin, and the interiors of the bigger islands - New Guinea and Bougainville (PNG), Viti Levu (Fiji), Upolu and Sava'i (W. Samoa) - are mountainous. Fiji and Tonga lie in the path of frequent and destructive cyclones. Kiribati and Tuvalu are essentially constellations of atolls, lying so low that erosion is a real threat.

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

Because the coconut palm - one of the world's most useful trees, so useful that the Pacific islanders call it the "tree of life" - is omnipresent, the whole region produces and exports copra, the commercially valuable oil extracted from the coconut. Cocoa, bananas, timber, sugar (Fiji) and tuna fish (Solomon Islands) are also exported. An oil palm industry has been developed in recent years in Papua New Guinea, which deri-

ves the bulk of its income from copper and gold. New Caledonia (nickel and iron) is the other important minerals exporter.

After primary products, tourism is the most important source of revenue, particularly for Fiji, where it is second only to sugar.

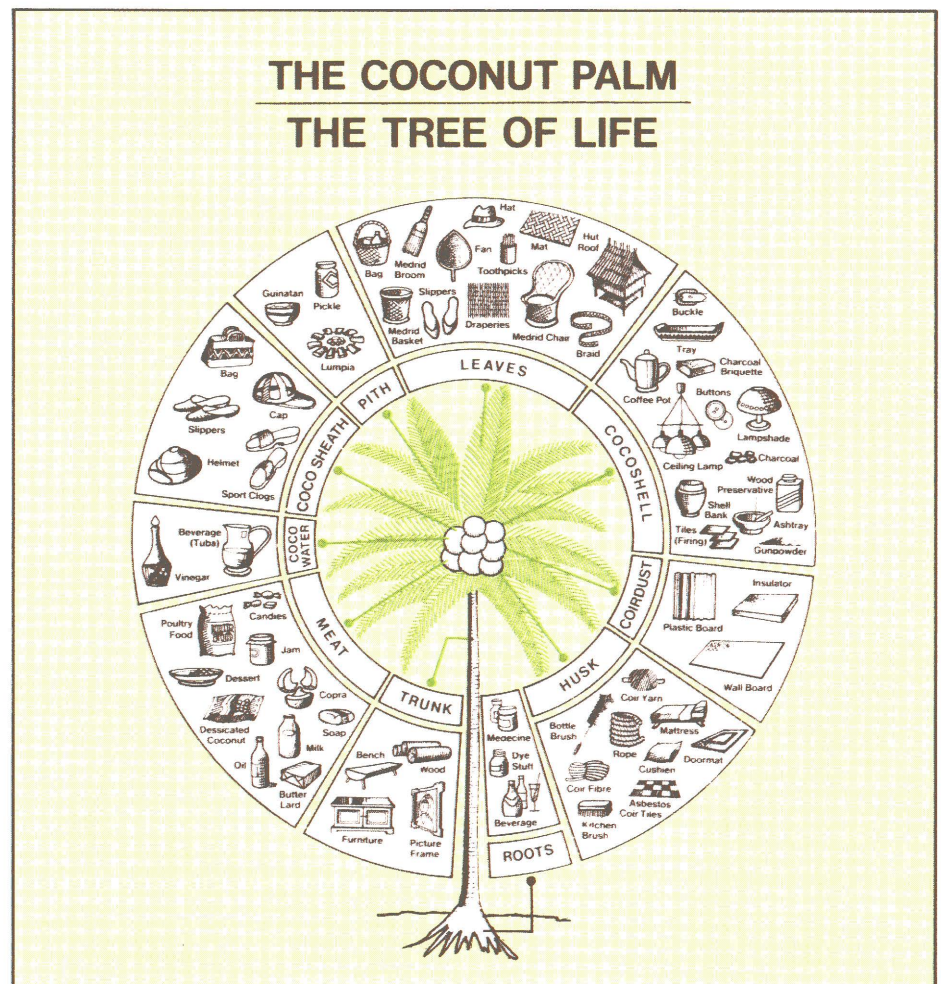
## Development constraints

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

national and regional authorities in the South Pacific.

Another constraint is the low level of local food production compared to modern levels of consumption, leading to a relatively high level of food imports (20% for the region as a whole, and as much as 50% for Tuvalu and 80% for French Polynesia). A scarcity of fertile land, combined with subsistence farming and fishing methods and difficulty of access to markets, compounds the problem. South Pacific countries are determined to increase agricultural production, and are now devoting a substantial share of available funds to agriculture and rural development, including rural roads.

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



## Future prospects

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

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

The economies of the South Pacific countries are carefully managed - there is no major debt problem - and it is generally accepted that properly directed development programmes coupled with external aid could lead to self-sustaining economies, albeit at different levels, everywhere except perhaps in Kiribati and Tuvalu. These countries will continue to require external assistance, unless and until their vast marine resources can be more fully exploited.

## Instruments of EC-Pacific co-operation

### Trade

The South Pacific region exports agricultural commodities, fish and minerals, and imports manufactured goods (notably vehicles and machinery), fuel and food. Most Pacific countries export copra, cocoa and timber; some export palm oil, coffee, bananas or vanilla; and Fiji exports sugar. Tuna fish is a valuable product, particularly for the Solomon Islands. Papua New Guinea is a major source of copper and gold; and New Caledonia is a leading nickel producer.

Despite the distance separating them, the European Community remains the biggest outlet for the South Pacific countries. As the table shows, the value of their exports to the EC is four or five times greater than the cost of their imports from Europe, whereas they run a big trade deficit with their nearest trading partners, Australia and New Zealand. Within the EEC, the British, French and Dutch markets are particularly important for Pacific exports.

### Trade arrangements

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

Under the Sugar Protocol attached to the Convention, the Community agrees

to buy a fixed quantity of sugar every year from ACP sugar producers at an attractively high guaranteed price. As a result, Fiji, which can sell over 165 000 tonnes annually under this arrangement, is guaranteed a sure outlet at a good price for between a third and one half of its annual sugar crop. This has been of particular importance in recent years, when world sugar prices have been depressed.

The Stabex scheme - cash transfers to compensate for serious losses sustained on export earnings as a result of price falls, crop failures or damage to crops - has also proved extremely helpful for the region. Over the period 1975 to 1987, transfers - in some cases of very substantial amounts - have been made for export losses on each of the region's key agricultural products (copra, cocoa, timber, bananas, coffee, palm oil). Every Pacific ACP country and one OCT has benefitted from the scheme, which has lent security to primary producers in the area.

### Trade promotion and Tourism

Funds are also provided under the Convention to promote sales of ACP products in the Community and in other markets outside the EEC, through for example participation in trade fairs and technical assistance with market research and product development. In the Pacific a particular effort has been made to promote trade and tourism on a regional level.

### Leading partners' trade with the Pacific ACP States

(in 1 000 \$US)

|             | 1977    |         | 1981    |         | 1986    |         |
|-------------|---------|---------|---------|---------|---------|---------|
|             | Imports | Exports | Imports | Exports | Imports | Exports |
| EEC         | 430 971 | 74 701  | 504 421 | 101 374 | 516 662 | 111 114 |
| AUSTRALIA   | 118 380 | 380 330 | 82 755  | 786 077 | 84 031  | 559 703 |
| NEW ZEALAND | 38 770  | 77 421  | 37 533  | 176 701 | 28 845  | 145 615 |
| JAPAN       | 226 445 | 152 161 | 400 261 | 273 532 | 291 120 | 225 912 |
| KOREA       | 3 452   | 7 638   | 29 527  | 11 463  | 88 166  | 17 903  |
| USA         | 104 911 | 39 963  | 123 482 | 116 666 | 82 550  | 75 356  |

Source: COMTRADE, Geneva.

## Financial and technical assistance

In addition to their trade provisions, the Lomé Conventions, backed up by five-year European Development Funds (EDF) and the capital resources of the European Investment Bank (EIB), offer assistance in a variety of forms to ACP countries.

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

Most of this aid is in the form of grants. A small proportion is provided as special loans on very easy terms or as risk capital, repayable if the venture supported is financially successful.

In the Pacific, EDF aid for national and regional programmes amounted to some 55 million ECU under Lomé I (1975-80), 98 million ECU under Lomé II (1981-85), and should total some 160 million ECU for the period 1986-90 when the Lomé III programmes are completed.

Projects can also be financed with loans from the European Investment Bank, which carry more commercial rates of interest, although in practice these are often reduced to between 5% and 8% by subsidies from the EDF. Mining in Papua New Guinea and hydro-electricity in Fiji and Western Samoa are examples of industrial projects part-financed by EIB loans in the Pacific. The Bank has so far loaned a total of just over 200 million ECU to ACP countries in the region.

Some 12% of the EDF is set aside for the stabilisation of export earnings. Stabex transfers are only made if justified by circumstances, but these circumstances have arisen frequently, and a total of some 200 million ECU has already been transferred to Pacific ACP countries, for the period 1975-87. Since Stabex transfers are not repayable by the Pacific countries except Papua New Guinea and Fiji, they represent a significant addition to EEC assistance for the region.

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

The Community's trade and aid arrangements for the French territories in the Pacific are broadly similar to those under the Lomé Convention. Over the period 1975-90, New Caledonia, French Polynesia and Wallis and Futuna will have received some 48 million ECU in territorial and regional project aid and 18 million ECU in EIB loans.

The table below shows that over the first fifteen years of EC-Pacific co-operation, the Community had spent or committed in one form or another almost 800 million ECU in the region. Although not the leading donor, it has nonetheless built up significant development aid programmes, particularly in the field of regional cooperation. The following pages present some of the tangible results.

### European Community financial assistance to the Pacific ACPs and OCTs (1975 - 1990)

(in million ECU)

|   | Lomé I       | Lomé II      | Lomé III     | Total        |
|---|--------------|--------------|--------------|--------------|
| <b>Pacific ACPs</b>                     |              |              |              |              |
| National Programmes                     | 45.4         | 67.8         | 102.2        | 215.4        |
| Regional Programmes                     | 10.3         | 30.4         | 39.0         | 79.7         |
| EIB loans<br>(including risk capital)   | 33.1         | 106.1        | 64.0         | 203.2        |
| Interest rate<br>subsidies on EIB loans | 5.0          | 8.1          | 3.5          | 16.7         |
| Stabex (*)                              | 12.2         | 79.6         | 109.8        | 201.6        |
| Emergency Aid (*)                       | 4.0          | 4.0          | 0.9          | 8.9          |
| Aid to refugees (PNG)                   | —            | —            | 0.7          | 0.7          |
| EEC/ACP Aids control (PNG)              | —            | —            | 0.6          | 0.6          |
| <b>OCTs</b>                             |              |              |              |              |
| Territorial Programmes                  | 7.3          | 15.8         | 17.2         | 40.3         |
| EIB loans                               | 7.8          | 6.8          | 4.0          | 18.3         |
| Emergency Aid (*)                       | —            | 0.2          | 0.9          | 0.2          |
| Regional Programmes                     | —            | 4.0          | 4.1          | 8.1          |
| <b>Grand total</b>                      | <b>125.0</b> | <b>322.8</b> | <b>346.9</b> | <b>793.7</b> |

(\*) Lomé III 1985 - 1987 only.



## Co-operation with ACP countries



### Background

Fiji is an archipelago of over 300 islands, many of them volcanic in origin, with rugged interiors surrounded by reefs enclosing large lagoons. The two largest, Viti Levu and Vanua Levu, represent 87% of the country's total area, but the outlying islands contain a third of the total population.

The economy is agricultural, and depends heavily on exports of sugar. This crop provides 40% of export earnings, 50% of agricultural output and 30% of employment. The European

Community's annual purchase of the equivalent of 165,000 tonnes of white sugar under the Sugar Protocol attached to the Lomé Convention, is vital for Fiji's economy.

Apart from agriculture, tourism is an important source of foreign exchange, with gross receipts equal to about two thirds of export earnings. As for industry, Fiji has put much emphasis on the development of the manufacturing sector, oriented towards import substitution and foreign exchange generation. Gold production remains the main activity in the mining sector.

### Profile

|                       |  |
|-----------------------|--|
| Date of independence: | 10.10.1970   |
| Total land area:      | 18 274 sq. km.,<br>322 islands (inhabited<br>islands: 100) |
| Total EEZ area:       | 1,290,00 sq. km.   |
| Capital:              | Suva   |
| Population:           | 716 000  |
| Language:             | English (official), Bau,<br>Hindustani                     |
| Main exports:         | Sugar, Fish, Gold and<br>Copra                             |
| GNP/head:             | US\$ 1 700 (1985)  |
| Currency:             | Fiji Dollar<br>1 ECU = 1.58 FD\$<br>(June 1989)            |





## Lomé I and II

Fiji was allocated 9.9 MECU and 13 MECU under Lomé I and II respectively. Since agriculture plays a major role in the country's economy in terms of income, export and employment opportunities, an important share of EEC assistance was devoted to the improvement of rural infrastructure, especially on the outer islands and least developed areas of the main islands.

**Jetties, airstrips, roads:** The construction of jetties on the outer islands of Cicia, Kadavu, Moala and Saqani, and of airstrips on the first three of these islands, all completed by 1982 for a total cost of some 2.2 MECU, has contributed to the economic, social and administrative integration of Fiji, by improving sea and air links between islands.

Similarly, the construction of 42 km of rural roads on Viti Levu and 50 km on Vanua Levu, for a total cost of 8.35 MECU, has been instrumental in bringing rural areas out of their former isolation.

**Microprojects:** An initial programme of microprojects totalling just under 1 MECU, and including the supply of materials for rebuilding 400 cyclone-damaged houses, building and equipping two schools, and training young people in basic farming and mechanics, was considered a success and was followed by a much larger programme (3.87 MECU) under Lomé II. This included building a 65-foot boat, a boat building shed and associated equipment on Kabara in the Southern Lau group, and the provision of small-scale rural infrastructure, essentially feeder roads, to support self-help cocoa projects on Vanua Levu, Viti Levu, Taveuni and Koro islands. These programmes were designed to encourage farmers to develop long-term cash crops, in addition to subsistence farming.

**Emergency aid:** Lying as it does in the path of many Pacific cyclones, Fiji has had cause to call on the emergency aid fund several times. Under Lomé I and II, a total of some 8.3 MECU was granted to supply prefabricated houses and building materials after cyclones Fay and Meli (1978/79), Tia and Wally (1980), Arthur (1981), Oscar and Sarah (1983) and Eric, Nigel and Odette (1985).

**EIB loans:** In support of the government's policy of reducing oil imports,

the Bank made three loans totalling 36 MECU to the Fiji Electricity Authority, for the construction of the Monasavu dam, the Wailoa power station, a 145 km high tension line, and underground galleries diverting nearby rivers into the Monasavu reservoir. In addition, the EIB loaned 4 MECU to Fiji Development Bank for on-lending to promote small and medium scale enterprises, and 12 MECU for a pine processing project.

**Stabex:** Transfers totalling just over 5 MECU were made for losses on coconut oil exports in 1975, 1976, 1980, 1981 and 1982.

Funds were also provided for technical assistance, training and trade promotion.

## Lomé III

Fiji was allocated 20 MECU under Lomé III (15 MECU in grants, the balance in loans). Reflecting the government's development objectives, Community assistance is concentrated in the rural sector. A few major programmes - the rural electrification scheme, the coconut rehabilitation programme, micro-projects for pineapple and cocoa development - will absorb 80% of available funds, only 20% being allocated to other sectors such as transport and communications, training and technical assistance.

## Coconut rehabilitation project

Coconut plays a major role in Fiji's economy, as both a cash crop and a food crop.

In the rural areas, especially in the outer islands where there is little alternative, it is the main food crop.

However, coconut farmers are now facing serious problems. For one thing, many trees are old, and as a result production is declining steadily. For another, regular rises in population are increasing the pressure on arable land. Since a substantial proportion of arable land is planted with coconut, diversification into other crops, which is necessary to satisfy demand, is becoming increasingly difficult.

To tackle this problem Fiji's National Development Plan gives high priority to coconut rejuvenation through improved yield and better husbandry. The overall aim is to increase productivity while reducing the area under coconut from the present estimated total of 66 600 hectares to 34 000 hectares over a 20 year period. The land thus released will be progressively turned over to other crops.

The EC-funded **Coconut rehabilitation and development** project (1.1 MECU) will contribute towards the achievement of the government's objective. Covering a period of three years (1988-1991) the project provides for the establishment of a 380-hectare coconut nursery centre on the island of Taveuni, and will finance clearance of land, planting of coconut seed gardens and the supply of inputs for the centre.

The main objective pursued by the project is to produce sufficient high yield seedlings for the 34 000 hectares of coconut plantation. After the initial period, towards which the project is directed, the coconut nursery centre is expected to pay for itself through the sale of hybrid seedlings. The nursery is expected to reach maximum productivity in its tenth year, when it should provide sufficient seednuts to rehabilitate 2 400 hectares per year.



*Blasting rocky terrain for a country road on Viti Levu.*



## Kubulau Peninsula Road project

Ending the isolation of rural regions is one of the stated aims of the National Development Plan (1986-1990), and Fiji has accordingly decided to allocate 17 MECU to the construction of new rural roads and bridges.

The European Community has already made a considerable contribution to the development of rural infrastructure in the past. The **Kubulau Peninsula Road project** (2.125 MECU) under Lomé III is a logical continuation of the two previous road projects on Vanua Levu, financed from the 4th and 5th EDFs.

Vanua Levu, which has 103 000 inhabitants - 15% of Fiji's population - has only two main roads: the incompleted circuminsular road which links most of the coastal areas, and the transinsular road which cuts across the island from Labasa to Savu Savu.

The **Kubulau Peninsula Road project** involves the construction of a 25 km stretch of metalled road between Korovou and Cogea which will complete the circuminsular road.

The land through which the new road will pass has significant agricultural potential, only partially exploited at present because the only means of transportation out of this area is by boat. Although coconut, cocoa and root crops are cultivated production is at a lower level due to lack of adequate access to markets.

When the proposed project is completed (1989-1991), it will open up an area of about 14 200 hectares for agricultural development, improve farmers' access to markets and distribution centres, and it will give the local population

easier access to social facilities such as health centres, schools and shops.

## Community Aid (allocations in million ECU)

|                               | Lomé I      | Lomé II     | Lomé III    |
|-------------------------------|-------------|-------------|-------------|
| National Indicative Programme | 9.9         | 13.0        | 20.0        |
| Risk capital                  | 0.1         | 7.2         | 1.0         |
| EIB loans                     | 24.0        | 28.0        | 3.5         |
| Sub-total                     | 34.0        | 48.2        | 24.5        |
| Stabex                        | 2.1         | 3.0         | 0.2         |
| Emergency aid                 | 3.6         | 4.7         | 0.3         |
| <b>Grand total</b>            | <b>39.7</b> | <b>55.9</b> | <b>25.0</b> |





# Kiribati

## Background

Composed of atolls with sandy soil, Kiribati has few natural resources. However, a limited range of food crops such as taro, coconuts, bananas and breadfruits are grown locally. Almost all consumer goods and food-stuffs as well as fuels and capital goods are imported.

Up to 1979 Kiribati enjoyed a favourable trade balance due to phosphate export earnings which at that time represented about 88% of total earnings. The closing down of the phosphate mining industry in 1979 had a drastic effect on the economy.

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

The creation of a 200-mile EEZ in 1978 has aroused hopes of developing marine resources, as Kiribati lies in a major tuna fishing area. Based on this, the government has embarked upon an active programme to develop a commercial tuna fishery. In addition, seabed mineral resources could be opened up with new technology to offset diminishing land-based supplies, in the first decade of the next century.

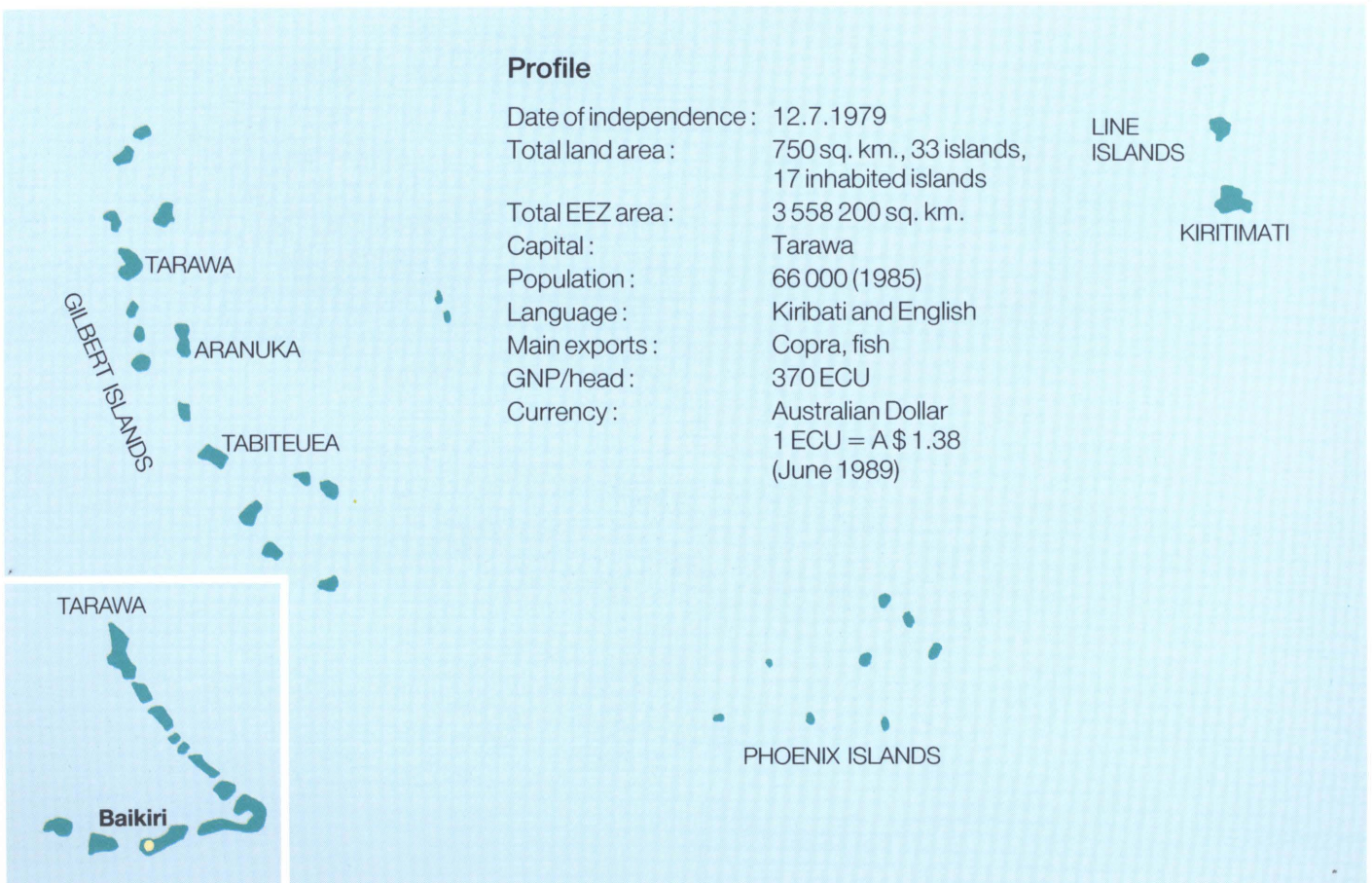
## Profile

Date of independence: 12.7.1979  
 Total land area: 750 sq. km., 33 islands, 17 inhabited islands  
 Total EEZ area: 3 558 200 sq. km.  
 Capital: Tarawa  
 Population: 66 000 (1985)  
 Language: Kiribati and English  
 Main exports: Copra, fish  
 GNP/head: 370 ECU  
 Currency: Australian Dollar  
 1 ECU = A\$ 1.38 (June 1989)

LINE ISLANDS

KIRITIMATI

PHOENIX ISLANDS





## Lomé I and II

Kiribati was allocated a total of 3.5 MECU and 4 MECU under the first two Lomé Conventions. Projects financed were mainly in the infrastructure and fishery sectors, and to a lesser extent in training and microproject programmes.

The South Tarawa Telephone Rehabilitation project financed from the first two Lomé Conventions for a total amount of 3 328 000 ECU, covered the construction of a large telephone exchange building at Bairiki, the provision and installation of three automatic telephone exchanges, a line plant, subscriber apparatus and a radio link as well as training and supervision programmes.

Airstrips were constructed at Arnauka and Tabiteuea South (333 036 ECU) from Lomé I funds and a fish farm (170 000 ECU) project was financed, doubling the surface area from 40 to 80 hectares. This fish farm supplies milkfish for local consumption.

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

A study of inter-island telecommunication links (166 000 ECU, plus 70 000

ECU from Lomé III) was undertaken to identify possibilities and pave the way for the implementation of a new telecommunication project designed to improve inter-island communications throughout Kiribati.

The objective of the Fishery Development Study was to explore the case for establishing additional on-shore cold-storage facilities to support the fishing industry.

Microprojects financed under Lomé II (173 000 ECU) covered various programmes such as copra sheds, water and sanitation, seaweed cultivation and fish ponds.

Stabex transfers from the Community to the government of Kiribati to compensate for losses on copra export earnings amounted to a total of 4 MECU under the two conventions.

## Lomé III

The Lomé III programmable fund foresees a total of 6.5 MECU as a grant from EDF resources and 0.5 MECU as risk capital, to be used for priority sectors defined by the Kiribati government.

The Country's National Indicative Pro-

gramme has identified two such sectors - fisheries and telecommunications - where 80% of the Lomé III resources are to be used. The remaining 20% is earmarked for technical cooperation, training and contributions to regional projects.

So far, training programmes for the telecommunication sector, pilot training and public service personnel have been launched, for 572 000 ECU. Definition of the other projects is being finalised, and a recent comprehensive study on the fishing corporation TE MAUTARI and on prospects for further development of commercial fisheries, particularly by long-line tuna operations, are being examined, with a view to defining Lomé III projects in these focal sectors.

### Community Aid

(allocations in million ECU)

|                               | Lomé I     | Lomé II    | Lomé III   |
|-------------------------------|------------|------------|------------|
| National Indicative Programme |            |            |            |
| - Grants                      | 3.5        | 4.0        | 6.5        |
| - Risk capital                | -          | -          | 0.5        |
| Stabex                        | 2.3        | 1.6        | 2.4        |
| <b>Grand total</b>            | <b>5.8</b> | <b>5.6</b> | <b>9.4</b> |



Intelsat earth station.



# Papua New Guinea

## Background

A geologically diverse country with active seismic and volcanic zones, Papua New Guinea is rich in mineral resources. Unlike other islands of the region, its major export earnings are derived not from agriculture - although 80% of the active population is employed in subsistence farming - but from the mineral sector.

At present, gold and copper alone account for 62% of total exports. Other mineral resources such as natural gas and oil also offer commercial possibilities.

Apart from gold and copper, PNG's

main exports are coffee, timber, palm and copra oil and cocoa. The country enjoys a favourable trade balance with total exports valued at 1.57 billion Kina in 1988 against imports of 1.49 billion Kina. Gold represents the largest share (593 million Kina) followed by copper and coffee (375 and 118 million Kina respectively).

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



## Profile

|                       |   |
|-----------------------|---|
| Date of independence: | 15.9.1975   |
| Total land area:      | 461 691 sq. km.   |
| Total EEZ area:       | 3 127 000 sq. km.   |
| Capital:              | Port Moresby  |
| Population:           | 3 499 000 (1985)  |
| Language:             | Pidgin English, English and about 742 other linguistic groups |
| Main exports:         | Gold, Copper, Coffee, Timber                                  |
| GNP/head:             | US \$ 730 (1987)  |
| Currency:             | Kina<br>1 ECU = 0.96 Kina (June 1989)                         |



## Lomé I and II

PNG was allocated a total of 10.0 MECU and 26.8 MECU respectively under the first two Conventions. Education and training, infrastructure, agriculture and fisheries development were the main sectors of Lomé I. Although the project pattern was similar under Lomé II, road construction received the largest share (15 MECU), representing 55.9% of the total.

**Transport:** To improve surface transport and facilitate access to the capital Port Moresby, two major roads were built with Community assistance. The Hiritano Highway (2 871 MECU) to the North of the Capital and the Magi Highway (3.5 MECU) which runs to the South were significant programmes of Lomé I and II. Momote Aerodrome reconstruction on Manus Island was also undertaken at a cost of 1 MECU.

Both programmes involved other sectors including agriculture, livestock, forestry, fisheries and trade promotion.

**Training:** To help overcome a shortage of skilled manpower, multiannual training programmes (4.7 MECU) were financed by the EDF under the two Conventions. More than 270 Papua New Guineans were sent abroad for

training and specialisation. The programme also covered EDF project-related training, technical assistance and courses in PNG itself.

**Livestock:** As projects were designed to cover different regions, the EDF financed two beef cattle ranches, one at Bogia in Mandang Province and the other at Rigo in Central Province (1 868 000 ECU) under Lomé I. A livestock and crops development programme was set up in New Ireland at Huris (1 460 MECU from Lomé II).

**Microprojects:** With a total of 515 000 ECU, microprojects ranging from provision of a boat for a community in New Ireland to handicraft training in East Highlands Province, were another area of cooperation.

**Fisheries:** To help assess the fishing potential of PNG's waters the Community allocated 2.384 MECU for the construction of two vessels under Lomé I. A further 46 000 ECU from Lomé II was granted to finance supervision by an expert.

Other projects such as control of Insect Defoliation of Pine Trees, (35 000 ECU) trade promotion (74 000 ECU), and forestry research (90 000 ECU) were also part of the two Conventions.

## European Investment Bank Loans

In addition to programmed aid, Papua New Guinea has received substantial EIB loans, totalling 66 746 577 MECU for the two Conventions. The bulk of this sum went to the OK Tedi mining company, set up to extract copper and gold from a mountain with a gold cap and copper base in the remote Western Highlands. However, inadequate infrastructure poses serious obstacles to its development. In order to enable exploitation of the minerals, the OK Tedi mining company was established in 1981, with the government holding 20% of the share capital.

The EIB lent 40 000 000 ECU (at market rates) to KFW in 1981 for on-lending to OK Tedi Mining Ltd., a consortium whose stockholders are the Government (20%), Broken Hill Proprietary Co. Ltd. of Australia (30%), Amoco Minerals Co. of USA (30%) and a Group of West German Companies (20%). The EIB also granted a conditional loan from EDF risk capital resources of 12 000 000 ECU to cover part of PNG Government's share of the equity capital.

Another sector which benefited from an EIB loan is the Higaturu Oil Palm processing firm. Under Lomé I the EIB loan



Road construction in typical rugged terrain.



stood at 9 259 475 MECU to finance the oil processing plant, of which 1.6 MECU from risk capital went to the government for its participation in the company's capital. Encouraged by the result, an additional 2.344 MECU loan was granted under Lomé II to help the expansion of the processing facilities.

## Stabex

PNG's agricultural exports are mainly cocoa, coffee, palm oil, copra and oil extracts, which together represented 34.6% of GDP in 1988. The country has been a major beneficiary of the Stabex system, receiving a total of 135 178 157 ECU in transfers over the period 1975-1987. These transfers were made to cover export earnings losses on coffee (30 467 750 ECU), cocoa (12 802 640 ECU), copra (9 646 821 ECU), copra oil (18 806 728 ECU), copra products (17 653 706 ECU) and palm products (45 800 512 ECU).

## Lomé III

In line with Lomé III policy, the country's third indicative programme places greater emphasis on a single sector - road transport as the key to rural development - than was the case under the first two Conventions. Of a total of 34.5 MECU allocated to PNG from the sixth EDF, 55% is being devoted to road improvement projects.

The EIB, encouraged by the success of the Higaturu Estate, is making a further contribution to the development of the oil palm industry, this time with a loan of 15.5 MECU of which 12 MECU will finance an oil palm plantation and an oil mill at Poliamba in New Ireland. The balance of the loan has been granted to the government from risk capital.

In addition, the Bank is putting up 17 MECU for a hydro-electric scheme at Yonki in the Eastern Highlands, designed to build a storage dam with a capacity of 320 million cu. m. and the installation of two new 15 MW generating units at the Ramu power station.

## Road Improvement projects: Magi Highway and Hiritano Highway

The development of the land transport network constitutes the heart of the matter in PNG's rural economy. At present, most rural villages are isolated and



agriculture is still at subsistence level. In order to break the isolation of villages and increase agricultural output, surface transport improvement has become one of PNG's development priorities.

To support the government's efforts, a substantial proportion of EDF funds was devoted to road construction throughout the three Conventions.

The Magi Highway was allocated 7.2 MECU (of which 5.5 MECU loan has to be reimbursed over 40 years, including a 10 year grace period, at a 1% interest rate) to reconstruct and seal 26 km. from Vailala to Rigo.

The Highway which links the capital with the rural central province, is the only access to the many villages which are not served by regular coastal shipping lines. It is therefore expected to improve travel conditions and accessibility for the 60 000 people of the region: faster and cheaper access to Port Moresby as a result of the project

is expected to have a positive influence on market access and to stimulate agriculture, specially the production of rubber, copra, cocoa, staple food crops, fresh vegetables and artisanal fishing. Improved access to the Rigo area will also enhance the prospects for the EEC funded cattle ranch project.

The Hiritano Highway project concerns the reconstruction and sealing of the 28 km. Brown River - Veimauri stretch of this main trunk route which links the capital with the rural Western Central and Gulf provinces. Both provinces are among the less developed areas of the country. The project will provide access facilities to 69 000 people and is expected to entail rural development.

The road already carries comparatively heavy traffic (more or less 450 vehicles per day at Brown River) and substantial growth is anticipated. The cost of the project including supervision is estimated to be 11.8 MECU. Financing will be by means of a Special Loan (8.5 MECU) and a Grant (3.3 MECU).

## Community Aid (allocations in million ECU)

|                               | Lomé I      | Lomé II      | Lomé III     |
|-------------------------------|-------------|--------------|--------------|
| National Indicative Programme | 10          | 26.8         | 34.5         |
| EIB Loans                     | 7.6         | 42.3         | 29.0         |
| Risk capital                  | 1.9         | 13.8         | 6.5          |
| Sub-total                     | 19.5        | 82.9         | 70.0         |
| Stabex                        | —           | 50.7         | 84.4         |
| Emergency Aid                 | —           | 0.8          | 1.3          |
| Aids programme                | —           | —            | 0.6          |
| <b>Grand total</b>            | <b>19.5</b> | <b>134.3</b> | <b>156.3</b> |



# The Solomon Islands

## Background

The Solomon Islands are made up of metamorphic rocks and coral atolls overlaid with considerable layers of mineral deposits. The main islands are rugged and mountains, the highest peak (2,477 metres) being located in Guadalcanal.

Although arable land is limited, except on Guadalcanal, agriculture is the main activity for the majority of the population. Agro-industrial activities are on the increase with copra and palm oil processing playing a leading role.

Up to 1979, copra was the main primary industry before it was overtaken by the fisheries sector. Now fisheries

followed by timber are the Solomon Islands' largest source of foreign exchange. In fact, many regard marine resources as the most promising area for further development.

As for mining, the country possesses bauxite deposits - about 30 million tonnes - and there has been mineral prospecting on almost all island groups. At present, gold and silver are exploited in the Gold Ridge area, but production is limited by the hand-panning methods used by the islanders.

## Lomé I and II

The European Community (EC) is the major donor to the Solomon Islands, in

the form of grants and Stabex funds. Apart from some limited technical assistance from the Federal Republic of Germany, the United Kingdom is the only EC Member State with a bilateral aid programme to the Solomon Islands.

The EC indicative aid programme for S.I. was 10.745 MECU under Lomé I and 12 MECU under Lomé II. However, total EC aid to the Solomon Islands under the two conventions was considerably more than this because the country received Stabex transfers totalling 6.5 MECU (for export losses on copra and timber) and was involved in regional projects.

Under the first two Lomé conventions, EC aid to the Solomon Islands focused mainly on three sectors: transport and communications, development of sea fishing, conservation of natural and agricultural resources and rural development.

## Transport and communications:

Assistance to the transport and communications sectors followed three main lines. To help communication in this widely dispersed country, priority was given to the development of the telephone system. It is now acknowledged that the development of this sector has substantially improved the quality of service and increased its coverage

## Profile

|                       |  |
|-----------------------|--|
| Date of independence: | 7.7.1978   |
| Total land area:      | 28 000 sq. km.   |
| Total EEZ area:       | 777 000 km <sup>2</sup>  |
| Capital:              | Honiara  |
| Population:           | 267 000  |
| Language:             | English and Pidgin (official) and over 80 indigenous languages |
| Main exports:         | Fish, copra, palm oil, timber                                  |
| GNP/head:             | US \$ 500 (1986)   |
| Currency:             | Solomon Island \$<br>1 ECU = 2.41 \$<br>(June 1989)            |





by about 100%. This was followed by assistance for the provision of navigational aids at provincial air strips. Thirdly, the construction of a new port and township - Noro new town - establishes a second pole of modern economic and social development where the country is able to exploit more fully its considerable fish resources, create new job opportunities and provide a focus for the Western province. This will reduce the migration flow from outer provinces to Honiara.

**Fisheries :** The Solomon Islands' extensive Exclusive Economic Zone (EEZ) contains considerable fish resources, especially tuna. In the development of sea fishing, EEC aid has focused on fisheries training, initially through the construction of a school for fishermen, but also through the provision of some 13 man-years of technical assistance. By the end of 1986, over 200 Solomon Islands fishermen had been trained at the school. In a parallel activity, Community-funded technical assistance has trained about 40 Solomon Islands officers (skippers, engineers, etc.) who have taken over posts previously held by Japanese personnel.

**Forestry :** Under the two Conventions, focus was also given to reforestation, for the conservation of natural resources. Projects in this field made substantial progress and were implemented ahead of time. By the end of 1986, a total of 2018 hectares had been replanted with about 1 020 000 trees.

### Lomé III

To contribute towards the implementation of the Solomon Islands government's overall development programme, the EC allocated 19 MECU under Lomé III (17 MECU in grants, 2 MECU in loans and 2 MECU as risk capital). Out of this financial package about 75% is being concentrated on the rural sector. This focal area includes human resources, natural resources and rural health centre and infrastructure development. The remaining 25% will go to projects which will improve the national transport network, communications and training.

The EC contributed 500 000 ECU as emergency aid, following Cyclone Namu in 1986. This sum was used by the National Disaster Council to purchase over 1 800 tonnes of rice to be distributed to those in need in the devastated areas of Guadalcanal, Malaita and Central Province (Rennell and Bellona).

## Development of human resources in the rural sector

Employment in Solomon Islands is of two kinds: formal wage employment in government and private sectors and self employment in the smallholder rural sector. A little over 80% of the labour force works in the rural areas where the majority combines food and cash crops, exploits marine resources and works in small business activities. While the rural sector remains predominant in terms of job occupation, the present trend shows a decline in the labour market. Increasing population pressure on available agricultural resources, little diversification into cash crops, outdated cultivation techniques, lack of industrial enterprises and a low level of infrastructure development are factors underlying the decline of the labour market. As a result, under-employment and unemployment are increasing and the number of migrants from rural areas to towns is growing.

In order to tackle these problems, the implementation of a broad-based human resource development policy has become one of the government's priorities. It is in this context that the 1985-1989 plan has placed strong emphasis on employment creation and human resources development.

In this respect and in conformity with the spirit of Lomé III, the EC has allocated 4 MECU to finance the "Integrated Rural and Manpower Development Project". The project involves a number of co-ordinated actions for the development of human resources through training and technical assistance in the priority sector of rural development.

Covering the period 1986-1990, the strategy by the development planners consists of two complementary approaches. The first is a "bottom-up" approach with the main intervention

being at village level, the second being a "top to bottom" approach where assistance is given to train public service employees at all levels.

The "bottom-up" approach is planned for village education, including primary school children and villagers in the field of agriculture, animal husbandry, in-shore fishing and artisanal activities. The emphasis is on helping local communities develop their own resources and increase their standard of living by developing their own skills.

To implement the project, training and demonstration facilities are attached to the village and provincial secondary schools. Since the drop-out rate of pupils from primary and secondary schools is 60% and 40% respectively, the combination of formal education and practical training is conceived to provide practical training to pupils and demonstration facilities to villagers.

The "top to bottom" approach is intended to assist the S.I. Administrative Training Center (ATC) in developing skilled personnel in government administration, human resources management and development planning at all levels. With regard to long term overseas scholarships, training is given in those broad sectors related to priorities set in the Indicative Programme. The European Community also provides for special technical assistance in certain areas where the S.I. has an urgent need for qualified manpower: general administrative training, financial and resources administration, personnel management and administration, senior management, project preparation...

The impact of these two complementary aspects of the project is essentially of a socio-economic nature, and will benefit both the people and the institutions directly involved.

### Community Aid (allocations in million ECU)

|                               | Lomé I      | Lomé II     | Lomé III    |
|-------------------------------|-------------|-------------|-------------|
| National Indicative Programme |             |             |             |
| Grants                        | 9.9         | 12.0        | 15.0        |
| Special loans                 | 0.8         | —           | 2.0         |
| Risk capital                  | —           | —           | 2.0         |
| Sub-total                     | 10.7        | 12.0        | 19.0        |
| Stabex                        | 2.2         | 4.3         | 27.7        |
| Emergency aid                 | —           | —           | 0.5         |
| <b>Grand total</b>            | <b>12.9</b> | <b>16.3</b> | <b>47.2</b> |

# Kingdom of Tonga

## Background

The Kingdom of Tonga is an archipelago of 171 islands divided into three main island groups.

Tonga is predominantly a rural society with the majority of the population engaged in subsistence farming and fishing. The soil is generally fertile and agricultural production contributes some 42% of GNP (1985) which is a high proportion compared to other Pacific countries.

Coconut-based production has been playing a key role both in the domestic and export earning sectors of the economy. In 1985, coconut accounted for 38.2% of total export earnings while other agricultural products such as banana and vanilla represented 48.2%.

The tourism industry has however become the largest foreign earner. In 1986 income from tourism was T\$ 11.9 million, while coconut earnings were 5.1 million and income from other merchandise stood at T\$ 8.2 million. But lack of access facilities to the islands is still an obstacle to the expansion of this sector.

Imports, chiefly of food, greatly exceed exports, and the trade deficit is increasing. Another problem is the distance between groups, which means that the domestic market is fragmented and transport costs are high. Dependency on a limited number of agricultural products makes the country vulnerable to world market price fluctuations. Inadequate marketing facilities, quality control and productivity are further problems.

## Profile

|                       |  |
|-----------------------|--|
| Date of independence: | 4.6.1970   |
| Total land area:      | 697 sq. km., 171 islands,<br>(36 inhabited islands)                  |
| Total EEZ area:       | 362,600 sq. km.  |
| Capital:              | Nuku'alofa   |
| Population:           | 97 000   |
| Language:             | Tongan English   |
| Main exports:         | Copra, bananas   |
| GNP/head:             | US \$ 730 (1985)   |
| Currency:             | Pa'anga (Tonga \$)<br>1 ECU = 1.39 pa'anga<br>(Tonga \$) (June 1989) |





*Fish market with cold storage facilities, Nuku'alofa.*



## Lomé I and II

Tonga was allocated 3.2 million ECU and 4.1 million ECU under Lomé I and II respectively. The first programme financed infrastructure and training and project studies.

**Infrastructure :** In this field, the EDF financed the construction of the wharf at Neiafu, Vava'u (1 MECU), designed to ensure safe and economic handling of passengers and goods.

To relieve government expenditure, the Community helped the Ministry of Works to buy equipment for road maintenance and construction of schools and rural health centres and wharves (at Ha'api and Vava'u) for a total amount of 1,376,000 ECU.

In addition, four studies were undertaken : designs for Vava'u and Fuaa fisheries harbours, a dredging study and a trade promotion study.

In order to provide additional resources to the Tonga Development Bank, the EIB financed a line of credit of 130 000 ECU.

**Fisheries :** The Lomé II programme differed from the first in that it placed particular emphasis on one single sector - fisheries. The major part (3,300,000 ECU) of the Lomé II financial package was used for the fishery sector, with the aim of encouraging fishermen to undertake commercial fishing and to help satisfy the demand for locally caught fish. EDF financing included the construction of small boats and fishery harbours in the capital, together with marketing and cold-storage facilities.

**Stabex and emergency aid :** From the non-programmable funds, Tonga received Stabex transfers for 1.2 MECU under the first Lomé Convention and 4 MECU under the second to cover export losses on copra and banana. Following an earthquake in 1977, an emergency aid of 165 000 ECU was used to rebuild or repair schools, hospitals and houses on Tongatapu and Eua.

Hurricane Isaac struck Tonga in 1982, causing great damage. Since coconut trees were particularly affected, Tonga received 1.4 MECU in Stabex transfers and a similar amount in emergency aid for the provision of food, seeds and building materials.

**EIB loans :** During the second Lomé Convention, the Tonga Development

Bank received a 2 MECU loan from the EIB, of which 800 000 ECU was provided in order to increase Tonga's participation in the share capital of the Bank, while the remaining 1.2 MECU was designed to increase bonus lending capacity to small and medium sized enterprises.

## Lomé III

To revitalize economic activity in the country, the government has adopted a regional development approach with regard to the three main island groups. As outlined in the 4th National Development Plan, the main objective of this approach is to adopt a coherent integrated development programme which takes into account the specific constraints and potential of each group of islands.

It is in this context that the Vava'u group of islands has been identified as a focal area for the use of Lomé III resources (6.5 MECU in grants and 0.5 MECU in the form of risk capital to be managed by the EIB). The Vava'u development programme, under preparation, covers transport and communications, economic and social infrastructure, agriculture and fisheries, and small scale industry. By revitalizing the economy it is hoped to reduce migration and improve the standard of living of the population.

## Vava'u regional development programme

Vava'u, located in the northernmost part of the Kingdom of Tonga, is the second group of islands both in terms of population (16 000) and land area. The Vava'u group possesses more abundant natural resources than the others, and its agricultural and tourist potential is greater, which is why it has been chosen as a priority area in Tonga's National Indicative Programme for Lomé III.

The Vava'u economy is based on agriculture and fisheries. Although resources are plentiful, production is relatively low and food imports substantial.

Because of poor marketing infrastructure farmers find it difficult to supply the inhabitants of the Tongatapu island group where 2/3 of the country's population live. Another factor which discourages efforts to increase agricultural output through investment and technical innovation is the flow of remittances from overseas immigrants to the natives. In the fisheries sector, although resources are considerable in Tonga, consumption remains low because inter-island marketing and cold storage facilities are inadequate.

As a result, imported frozen meat and canned and frozen fish are widely consumed and adversely affect the food habits of the people and the balance of payments. The Lomé III programme aims to increase agricultural output and cash earnings through consolidation of marketing infrastructure to facilitate food and fishery flows from Vava'u to Tongatapu. Lomé II contributed towards this end by financing Fuaa Fisheries Harbour in Nuku'alofa with a fish market and cold storage facilities (3.3 MECU).

Since Vava'u has an important tourism industry potential, environment protection and the wise utilization of resources are also included in the development programme. Its development is expected to entail considerable benefits to the country in general and the local communities in particular.

## Community Aid (allocations in million ECU)

|                               | Lomé I     | Lomé II     | Lomé III    |
|-------------------------------|------------|-------------|-------------|
| National Indicative Programme | 3.2        | 4.1         | 7.0         |
| EIB loans                     | —          | 2.0         | 1.5         |
| Sub-total                     | 3.2        | 6.1         | 8.5         |
| Stabex                        | 1.2        | 4.0         | 2.9         |
| Emergency aid                 | 0.1        | 1.4         | —           |
| <b>Grand total</b>            | <b>4.5</b> | <b>11.5</b> | <b>11.4</b> |

# Tuvalu

## Lomé I and II

With a population of less than 9 000, Tuvalu is the smallest and most remote of the Pacific ACP States. As a member of the group, the country was allocated 600 000 ECU during the first Lomé Convention and 1 million ECU during the second.

The first Lomé Convention programmable fund was mainly used for equipment in the energy sector. Under this programme 400 000 ECU went to the Funafuti Power Plant while the remainder was allocated to two microproject programmes (295 000 ECU). These covered the construction of eight copra sheds for the Copra Society, and the installation of 280 water tanks and 230 rain water catchments to supply drinking water.

The Funafuti Power Plant (154 558 ECU) and the microprojects programmes (148 000 ECU) were carried on under Lomé II.

In addition, two important projects were introduced under the second Lomé Convention. To supply low voltage distribution, electricity transformers and a distribution network were set up in the energy sector (305 000 ECU). With regard to agriculture, the Coastal Pro-

## Background

The coral islands of Tuvalu are atolls which are not fertile and have no substantial resources to undertake self-sustained economic development. Although there are a few local products such as coconuts, bananas and breadfruits, the country is heavily dependent on imports to cover its basic needs. Tuvalu's future sustainable economic development undoubtedly lies in the fisheries sector, which has considerable

potential because its exclusive economic zone (EEZ) is very extensive. But at present the country has neither the financial nor the human resources to undertake commercial fisheries, and has therefore resorted to the practice of delivering licences to foreign vessels fishing in its territorial waters. Japan, Taiwan, the USA and South Korea have signed agreements with Tuvalu. Philately is another important source of foreign exchange; postage stamps are in fact the country's principal export.



## Profile

|                        |   |
|------------------------|---|
| Date of independence : | 1.10.1978   |
| Total land area :      | 25.9 sq. km. (a group of atolls, 8 inhabited islands) |
| Total EEZ area :       | 1,300,000 sq. km.                                     |
| Capital :              | Funafuti  |
| Population :           | 9 000   |
| Language :             | Tuvaluan English                                      |
| Main export :          | Stamps  |
| GNP/head :             | US \$ 300 (1985)                                      |
| Currency :             | Australian Dollar<br>1 ECU = A \$ 1.39<br>(June 1989) |





Coastal erosion...



...and coastal protection, by seawalls.

tection Programme (379 000 ECU), intended to prevent erosion in the coastal area, started the construction of a seawall.

From non-programmable aid, Tuvalu received a total amount of 317 000 ECU in Stabex transfers to cover copra export losses during the two Conventions.

### Lomé III

Tuvalu's third National Indicative Programme (2 MECU) defined economic infrastructure as the focal sector, with 70% of resources being allocated to Coastal Protection and 30% to the generation of electricity. In the energy sector, funds could be used to supply electricity to the remote outer islands from individual photovoltaic installations to consolidate Funafuti's supply by extending the existing power station to meet the capital's rapidly rising demand for electricity.

### Coastal protection

The majority of the population in Tuvalu lives near the rural coastal areas where agriculture and fishing are major activities for the subsistence economy. The country has, however, very poor agricultural potential and suffers from regular erosion.

To improve soil fertility, the islanders develop garden pits (Pulaka's) which are excavated and filled with humus. It is in these pits that the country's main staple crops, including root crops like taro and pulaka are grown.

Unfortunately, what little fertile soil is made available through the development of humus-filled pits is often damaged by the encroachment of sea water. In the past, to protect their villages and productive agricultural land from erosion, the islanders built seawalls from local materials (e. g. coral). However, all were of the gabion basket type and none successfully resisted subsequent storms.

Because fertile land is so scarce, even small scale erosion has created a demand for imported food stuffs and encouraged people to move to the capital. In order to maintain the rural population in traditional communities, and protect the soil from sea water erosion, the construction of strong and durable seawalls has become one of the government's priorities. The provision of adequate coastal defenses is however beyond the resources and technical capacity of the islanders.

The country's second (1980-1983) and third (1984-1987) Development Plans established a long term coastal protection programme. The overall objective of the project was to safeguard residential and vegetable garden areas through

the construction of 4 853 metres of durable protective seawalls to be completed within seven years.

Out of 600 000 ECU made available for Tuvalu under the Lomé II development fund, 412 150 ECU was used for the construction of 450 m. of seawalls. This programme is being carried on under the Lomé III Indicative Programme. The second phase of the project envisages the building of approximately 3 700 m. of seawalls at an estimated cost of 800 000 ECU between 1987 and 1991.

The cost of maintaining the seawalls will be financed from income generated through the International Trust Fund for Tuvalu, set up in 1987 with the assistance of the United Kingdom, New Zealand and Australia. The objective of the Fund is to establish a reliable source of revenue to cover the Tuvalu government's recurrent expenses.

### Community Aid (allocations in million ECU)

|                               | Lomé I     | Lomé II    | Lomé III   |
|-------------------------------|------------|------------|------------|
| National Indicative Programme | 0.6        | 1.0        | 2.0        |
| Stabex                        | 0.2        | 0.1        | 0.1        |
| <b>Grand total</b>            | <b>0.8</b> | <b>1.1</b> | <b>2.1</b> |



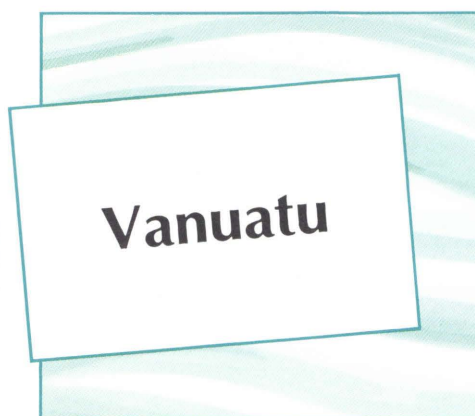
## Background

The economy of Vanuatu, an archipelago of over 70 inhabited islands with a relatively large total land area of over 14 000 km<sup>2</sup>, is based on agriculture. The agricultural sector, which contributed 25% of GNP in 1987, is dominated by coconut production, copra and coconut oil accounting on average for 80% of Vanuatu's export revenue.

This dependence on one crop, and on one overseas market (the Netherlands), is the country's main economic problem, highlighted in recent years by falling export prices and ageing palms. The problem is not insoluble, since 42% of Vanuatu's territory is arable land suitable for both cattle farming and a variety of food and cash crops; indeed, part of the Community's aid has been used to encourage diversification.

As regards other economic sectors, fishing in Vanuatu is still very much for subsistence. However, over the past few years, industrial fishing has been developed, in particular with the European Community's assistance and bilateral Japanese and Korean cooperation.

While government policy is to leave industrial activities to the private sector, the authorities intend to stimulate the growth of key industries such as boat



building, coconut oil extraction, fish, beef and wood processing. With the exception of meat canning and fish freezing, secondary industry is on a small scale, catering almost exclusively for the local market.

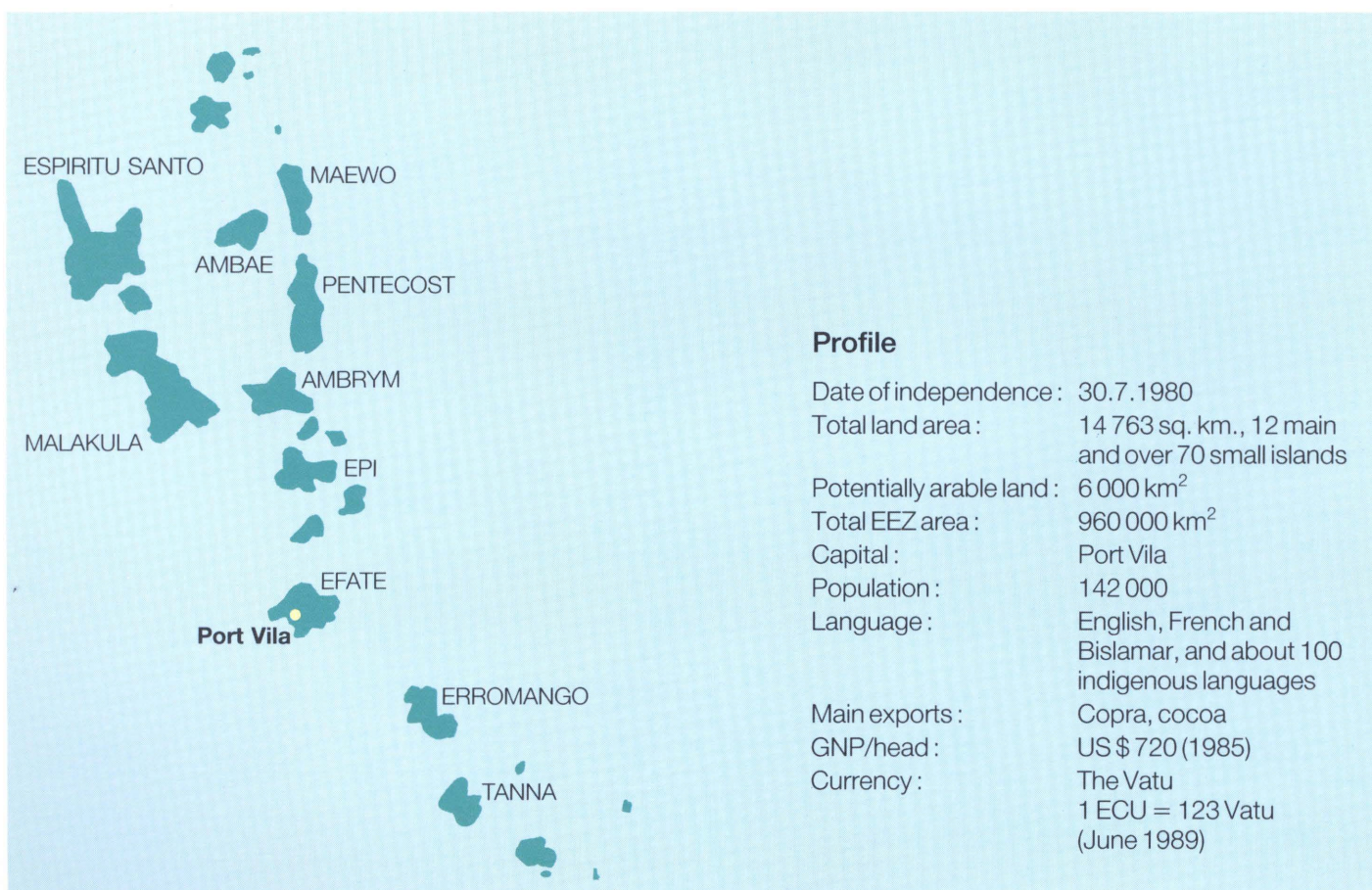
## Lomé I and II

Vanuatu was allocated 2.8 MECU and 4.5 MECU under the first and second Lomé Conventions. The Community's programmable aid was mainly used to finance development projects in rural areas. In this sector, Coconut Development, Artisanal Fisheries, Microprojects, and Assistance to the Vanuatu Development Bank were the major projects financed from the 4th and 5th EDFs.

**Coconut development :** The Coconut Development Project (2 150 000 ECU) was conceived to encourage smallholders to rejuvenate their coconut stands by planting new varieties and replacing old coconut trees which had become non-productive. To provide incentives to smallholders, the price for seedlings and seednuts from the Coconut project's nurseries was subsidized by the project. Results were satisfactory and the project is being carried on under Lomé III.

**Fisheries :** To reduce fish imports, and provide employment opportunities, the government of Vanuatu launched a deep sea fishing programme, traditionally not practised by fishermen due to lack of appropriate equipment and technical know-how. To initiate fishery in deep sea fishing, about 100 village fishery projects (600 000 ECU) have been set up throughout the country to exploit the deep reef and pelagic fish stocks.

**Livestock :** Assistance for the livestock sector (900 000 ECU) was another important aspect of the Lomé I programme. In organizing training for cattle farmers, providing extension services and improving marketing facilities, the project has contributed considerably to the development of this sector.





**Microprojects :** A wide range of development programmes including coffee nurseries, pepper plantings, reforestation, water supply and access road construction was covered under the microprojects scheme (470 000 ECU under Lomé I and 260 000 ECU under Lomé II). Another microproject programme (160 000 ECU) designed to raise copra quality and financed from Lomé II resources, has introduced 860 hot air driers and installed 940 improved smoke driers in rural communities.

**EIB loans :** The Vanuatu Development Bank was allocated 750 000 ECU under Lomé II, for management purposes and to increase its loan capacity to smallholders in the agricultural sector. In addition, a loan of 3 MECU was made available from EIB risk capital to finance and promote projects in small and medium scale industry, energy, transport and tourism.

**Stabex :** Stabex transfers to compensate for export losses on copra and cocoa beans were substantial : 10 409 568 ECU in all, as against development financing of 7 300 000 ECU under the two Lomé Conventions. The European Investment Bank provided an additional risk capital loan of 3 MECU; emergency aid during the period amounted to 200 000 ECU.

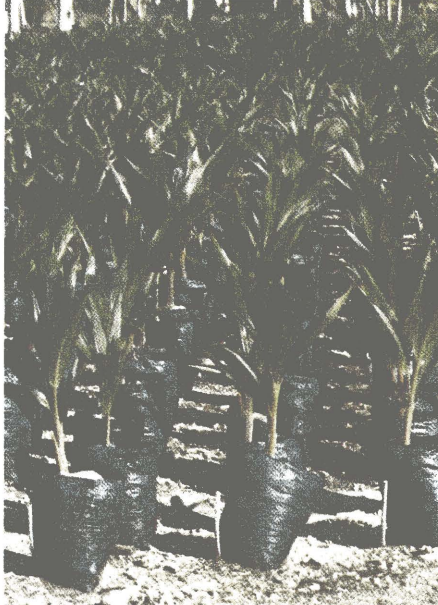
Total Community aid for the two conventions amounted therefore to some 21 million ECU.

### Lomé III

Under Lomé III Vanuatu was allocated 6.7 MECU in grant aid from the sixth EDF and 1 MECU in loans as risk capital.

The country's Indicative Programme defined rural development as the sole priority sector. Vanuatu is a country where the modern sector is limited in size and non-agricultural economic activities offer few prospects. For the majority of Ni-Vanuatu agriculture and related activities are important not only for subsistence but also as a source of income and employment. The decision of Vanuatu's government to concentrate 100% of the Lomé III resources on the development of the rural sector will therefore benefit the majority of the population.

The projects and programmes to be financed by the Community cover a wide range of rural activities including coconut plantation development, the



*High-yielding varieties in coconut nursery.*

diversification of agricultural products, the consolidation and further development of the fishery project, support for livestock farmers and forestry plantation.

### Rural development

Coconut production is by far the most important economic activity for farmers and the major export earner for the country. Over 70% of all Vanuatu's copra is produced by smallholders, and copra exports accounted for between 69% and 85% of the total value of exports during the period 1981-1985. However, coconut farmers are faced with the serious problem of ageing plantations - about 60% of their coconut trees are well past optimum bearing age. To tackle this problem the government of Vanuatu, with the assistance of the Community, launched a vast coconut rejuvenation campaign throughout the country under the Lomé II Coconut Development Programme, which is being carried on under Lomé III as a priority activity.

However, based on the experience gained during the first phase, the second phase will place more emphasis on new farming practices such as intercropping, planting resistant high-yielding coconut varieties, increasing cultivation

areas, and field training for extension officers and farmers.

Project costs are estimated at about 1 735 000 ECU of which 1 592 000 ECU are EDF contributions while 161 120 ECU are to be financed by the government.

Fisheries and forestry activities are other Lomé III development programmes.

Fishing in Vanuatu was until recently an almost exclusively subsistence activity carried out by traditional methods - simple harvesting of the shore and reef areas from dug-out outrigger canoes, which tends to produce low catches. However, a small scale commercial fishery programme was introduced under Lomé II. To consolidate the results obtained so far, the fisheries project under Lomé III (1.7 MECU) is to be extended to the whole archipelago : nine decentralized extension services, one for each administrative centre, will be set up. The programme will also train fishermen in vessel operation and maintenance, and fishing and fish conservation, as well as providing technical assistance and material support for fishing enterprises. Up to now 80 individual fishing enterprises employing 500 fishermen have been established, while a further 8 600 households are involved in subsistence fishing. The target of the extension service is therefore to reach the subsistence fishermen, some of whom are likely to join small-scale fishing enterprises.

To start up a timber industry in the country, a pilot Forestry Development project is to be implemented on Santo Island, with a significant agro-forestry component. The aim is to plant an area of 525 hectares of trees and 60 ha of agro-forestry as a basis for income-generating activities in the future. The project will inject significant quantities of cash into the local economy by buying or renting local goods and services.

### Community Aid (allocations in million ECU)

|                               | Lomé I     | Lomé II     | Lomé III    |
|-------------------------------|------------|-------------|-------------|
| National Indicative Programme | 2.8        | 4.5         | 6.7         |
| Risk capital                  | —          | 3.0         | 1.0         |
| Sub-total                     | 2.8        | 7.5         | 7.7         |
| Stabex                        | 1.4        | 8.9         | 16.4        |
| Emergency Aid                 | —          | 0.6         | 0.4         |
| <b>Grand total</b>            | <b>4.2</b> | <b>17.0</b> | <b>24.5</b> |



# Western Samoa

## Background

The islands of Western Samoa are characterised by numerous volcanic peaks, the highest being Mt. Silisili (1,858 M.) on the island of Savai'i, surrounded by a lava-based plateau, then lower hills and coastal plains. The majority of the population lives in the coastal area where subsistence agriculture plays a key role in the country's economy. Coconuts, cocoa and taro are the three major crops cultivated both for export and local consumption. Livestock resources are considerable : Western Samoa boasts some 130 000

head of cattle, 140 000 pigs and 500 000 fowl. As for fishing, commercial activities are growing rapidly - the average tuna catch is now well over 2 000 tonnes a year - thus leading to a cut in food imports.

Industry makes only a modest contribution to the country's GDP. Most light industries established in Western Samoa focus on supplying the local market and thus contribute to import substitution. Some expansion has taken place in the manufacturing sector which is concentrated on food, beverage and tobacco production.

## Lomé I and II

The European Development Fund (4th and 5th EDFs) contributed 4.6 MECU and 6 MECU respectively to Western Samoa's economy under Lomé I and II.

The energy sector has been the main beneficiary under the Lomé Conventions. A Master Plan Study for hydro electric development (80 000 ECU) was financed by the 4th EDF. Based on this, the Samasoni hydro-electric scheme (2.385 MECU) was built, with a capacity of 1.8 MW.

The energy development programme was carried on under Lomé II with the construction of the Sauniatu hydro-electric scheme (5.6 MECU). The implementation of these two projects has considerably reduced petroleum imports for energy production.

As the economy is based on agriculture a programme of 260 schemes involving piggery development, poultry, farming and fisheries and covering 96 villages on the main islands of Upolu and Savai'i were financed from the 4th EDF, to promote the village economy.

To increase the lending capacity of the Western Samoa Development Bank, the EDF also financed a credit line



## Profile

Date of independence : 1.6.1962  
Total land area : 2 935 sq. km., (9 islands, 4 inhabited)  
Total EEZ area : 3 558 200 sq. km.  
Capital : Apia  
Population : 160 000 (1985)  
Language : English  
Main exports : Copra, cocoa, taro  
GNP/head : US \$ 630 (1984)  
Currency : Tala  
1 ECU = 2.29 Tala (June 1989)



(890 000 ECU) during the first Lomé convention.

The support the government's efforts in the industrial sector, the Community financed storage and handling facilities for coconut oil and copra pellets (900 000 ECU) from 5th EDF resources.

In addition to programmable aid, Western Samoa received 12 Stabex transfers totalling 8 943 MECU for export losses on copra, wood, bananas and cocoa in the period 1975-84. In addition, emergency aid of 146 000 ECU was allocated to offset the effects of a forest fire. Loans from the EIB amounted to 3.3 million ECU.

### Lomé III

Western Samoa was allocated 9 MECU in grants and 1 MECU in risk capital from the 6th EDF. In line with government priorities, all of this amount is programmed for the development of electric power and drinking water supply. On top of project aid, the country has so far received 7.92 MECU in transfers from the Lomé III Stabex fund.

### Hydropower

Due to its topography and high rainfall, the country has substantial hydro-electric potential. In spite of this, Western Samoa remained dependent on imported diesel to produce energy, although hydropower development was not unknown : in fact the first generating unit was installed in the late twenties. However, large-scale development only began in the early eighties, since when Western Samoa has made considerable steps towards self-sufficiency in energy.

In 1980 approximately 78% of the electricity generated came from diesel plants. In 1986 this percentage had dropped to 26%. The volume of petroleum imports for electricity generation dropped to 36% during the period 1982-1986. Total fuel imports for diesel generation decreased from WS \$ 2.5 million in 1982 to WS \$ 0.9 million in 1986. Further significant reductions are expected when the construction of the Afulilo Hydropower scheme becomes fully operational by the end of 1991. This, in turn, will have a positive impact on the country's foreign exchange expenditure.

At present, the existing hydro-electric schemes, partly financed by the EDF

## Community Aid (allocations in million ECU)

|                               | Lomé I     | Lomé II     | Lomé III    |
|-------------------------------|------------|-------------|-------------|
| National Indicative Programme | 4.6        | 6.2         | 9.0         |
| EIB loans                     | —          | 3.3         | 2.6         |
| Sub-total                     | 4.6        | 9.5         | 11.6        |
| Stabex                        | 2.8        | 6.5         | 7.9         |
| Emergency aid                 | —          | 0.2         | —           |
| <b>Grand total</b>            | <b>7.4</b> | <b>16.2</b> | <b>19.5</b> |



Measuring the flow of the river East Falifa, the very first stage of the Afulilo Hydro Electric Scheme.

under Lomé I and II, are unable to provide energy throughout the year. For geological reasons, water storage capacities are limited in Western Samoa. As a result, full use of hydropower cannot be made during the dry season when water flow is substantially reduced.

95% of Lomé III resources is earmarked for the construction of the "Afulilo Hydropower Scheme" in order to meet dry season demand. The project involves the construction of a 10 million cubic m. reservoir, a penstock and a powerhouse, the installation of mechanical and electric equipment as well as transmission lines. The capacity of the scheme will be 4 MW with a maximum annual output of 24 GWH.

As far as project financing is concerned, the total cost is estimated at 18.2 MECU. Of this the EDF grant accounts for 7.1 MECU, the EIB loan 2.6 MECU, the remaining funds coming from a World Bank loan, the Asian Development Bank, the Western Samoa Electric Power Corporation and the Government.

Since such different economic sectors



as tourism, commerce, agriculture, and the building industry are directly linked with the energy sector, its development is considered as an important economic stimulator. Furthermore, electricity supplies are expected to create opportunities for industrial development at village level or for larger enterprises, and provide income-generating employment.



## Regional Co-operation

The Pacific Island States are small, thinly populated and scattered over a vast expanse of ocean. Development undertakings which require considerable financial and human resources are thus often a burden for individual Island States. To counter this, all Pacific States today are members of regional organisations from which they derive both individual and collective advantages. These regional bodies and their specialized agencies are listed below. To encourage and support regional cooperation, the Lomé Conventions have provided additional resources over and above each country's Indicative Programme allocations: 10 MECU under Lomé I (only Fiji, Tonga and Western Samoa were ACP countries at the time), 34 MECU under Lomé II (for 8 ACP States) and over 50 MECU for the duration of the Third Lomé Convention.

The regional programmes financed under these two Conventions covered three broad sectors: communications, natural resources, trade and the promotion of tourism. It was however the communications sector, including air and maritime transport, which took the lion's share of regional funds.

A regional **Telecommunications Network** involving Fiji, Tonga and Western Samoa (4.3 MECU) was financed under Lomé I. This project was backed up by the construction of a Telecom-

munications Training Centre (1.7 MECU) in Fiji. The project was further extended during the Second Convention to include PNG and Kiribati (8 860 000 ECU).

For **maritime transport**, the EDF (Commission and EIB funds) financed the supply of over 200 refrigerated containers for the Pacific Forum Line. The ACP countries which are shareholders in the PFL had to put up an equivalent sum as extra share capital, to allow the full amount of the loan to be used to purchase containers.

As regards **air transport**, 4.6 MECU of Lomé II regional funds will be used to upgrade airports in Kiribati and Tuvalu (runways), Tonga and Fiji (navigational aids) and Vanuatu (control tower and building). In addition, a study of the most cost-effective ways of servicing the air transport network of the region is being carried out, as a basis for appraising future projects designed to increase the Pacific ACP countries' self-sufficiency in this sector.

In the field of **training and research**, the University of the South Pacific was allocated 3.2 MECU under Lomé I. Programmes covered the Institute of Marine Resources (IMR) in Fiji, the Rural Development Centre (RDC) in Tonga and IRETA in Western Samoa. The EDF allocated an additional 1 191 500 ECU

to finance the second phase of the project which was carried on under Lomé II. Other specific projects such as the Regional Energy Programme (6.19 MECU) on renewable energy and the Pacific Regional Tourism Development Programme (3.1 MECU) were financed from Lomé II regional funds.

### Regional institutions

#### 1. The South Pacific Commission:

- Noumea, New Caledonia
- Founded in 1947 by Australia, France, New Zealand, United Kingdom, the USA and the Netherlands. The South Pacific independent States joined in the 1970s.
- The OCTs are also members of the Commission.
- Provides technical assistance and training to the countries of the region.

#### 2. The South Pacific Forum:

- Founded in 1971 by the independent countries of the region.
- It is a political organisation and its secretariat and permanent seat is in Suva, Fiji.

#### 3. The Forum's Specialised Agencies:

- i) The Forum Fisheries Agency (FFA):
  - Honiara, Solomon Islands
- ii) University of the South Pacific:
  - Suva, Fiji
  - a) Institute for Research Extension and Training in Agriculture (IRETA)
    - Western Samoa
  - b) Institute of Rural Development (IRD)
    - Tonga
  - c) Institute of Marine Resources (IMR) - Fiji
- iii) Regional Advisory Board for Agriculture - W. Samoa
- iv) Tourism Council of the South Pacific (TCSP) - Suva, Fiji
- v) The Pacific Islands Association of Chambers of Commerce (PIACC) - Suva, Fiji
- vi) Committee for Coordination of Joint Prospecting for mineral resources in the South Pacific Offshore Areas (CCOP/SOPAC) - Suva, Fiji.

### Pacific regional programmes, by sector (mECU)

| Sector                      | Lomé I | Lomé II  | Lomé III |
|-----------------------------|--------|----------|----------|
| <b>Communications</b>       |        |          |          |
| Telecommunications          | 6.0    | 8.86     | 5.55     |
| Maritime transport (PFL)    | 0.4    | 8.78     | -        |
| Air transport               | 0.69   | 4.87     | -        |
| <b>Natural resources</b>    |        |          |          |
| Agriculture                 | 1.15   | 0.41     | 6.85     |
| Marine resources            | 1.27   | 0.82     | 10.7     |
| Rural Development           | 1.08   | 0.38     | -        |
| Energy ACP                  | -      | 6.31     | -        |
| OCT                         |        | 3.2      |          |
| <b>Trade and tourism</b>    |        |          |          |
| Tourism                     | -      | 3.27     | 7.4      |
| Trade promotion (ACP + OCT) | -      | 0.31     | 1.0      |
| Structural support          | -      | -        | 0.7      |
| Stabex seminar              | -      | -        | 0.05     |
| OCT regional (balance)      | -      | (energy) | 3.9      |
| <b>Unallocated balance</b>  |        |          | 15.15    |
| <b>Total</b>                | 10.59  | 37.21    | 51.3     |



## Agriculture and rural development

In all Pacific ACP countries the vast majority of the population lives in rural areas where subsistence agriculture provides the mainstay of household resources in terms of food supply and cash income. At national level, the rural sector still contributes a large proportion of GNP.

Consequently, the priority given to agricultural and rural development reflects the will to place the majority of the population at the heart of development strategies. Five Pacific ACP countries have emphasised these sectors in their respective National Programmes and the other three considered them of particular importance for regional cooperation.

Agriculture consequently figures as one of the priorities for the Lomé III Pacific Regional Programme.

The Lomé III Regional Agricultural Programme (6.8 MECU) is intended to act as a bridge between research work, particularly as carried out by IRETA under the two previous Conventions, and its practical applications. The overall programme for this project and its ten components has been defined in collaboration with the Department of Agriculture in each country to ensure that the components cover the needs of recipient States.

The focal point of the programme consists in practical trials on the integrated growth of certain crops, and the development of integrated food cropping systems including the growth of grain, legumes, root and tree crops on a self-sustaining basis both in terms of commercial food production, soil nutrition and preservation.

Focus is also given to the dissemination of improved coconut cultivars to increase yield and cash income to households. The introduction of selected vegetable cultivars such as grain and pulses to enrich the traditional local diet based on root crops is also part of the programme.

Trial development of existing root crops in the region will also be carried out. Sweet potato, for example, is one of the root crops which is already part of the diet of the South Pacific people. However, its short growing season and poor genetic resistance to various diseases has led development planners

to undertake further experiments to improve its quality. Taro, another root crop which is the main staple food of the population, is severely affected by pests, particularly widespread in the Solomon Islands. Biological experiments will be carried out to speed up taro growth and increase crop protection, while taking into account the possible economic and ecological problems linked to chemical control.

For livestock nutrition, the development of improved local feedstuffs, such as copra meal, fish waste, maize, etc., is another of the project's components. This is expected to increase production and to a certain extent substitute imported feedstuffs.

Under the Plant Culture Service, the screening and cleaning of plant tissue will be carried out to prevent the spreading of pests and diseases on the transfer to the other countries of varieties improved under the programme.

To facilitate the progress of the project, statistical analysis services will be made available to the Agricultural Departments of each country and infrastructural support will be given to IRETA.

Five specialised institutions are directly involved in the programme. These are the Institut de Recherche pour les Huiles et Oléagineux (IRHO, Vanuatu), the Ministry of Primary Industries (Fiji), the Department of Agriculture and Livestock (PNG), the South Pacific Commission (SPC) and IRETA (Western Samoa).

Overall authority for the project is invested in the Regional Advisory Board (RAB), consisting of the national Directors of Agriculture, supported by the secretariat and agricultural coordinator located in Western Samoa. Responsibility for the implementation of the various components lies with national agricultural departments, IRETA or other organisations, depending on the component.

The project will have a direct impact both on the agricultural departments of the 8 Pacific ACPs and the population. The introduction of crops and new agricultural techniques will give higher yields and increase local production. The national agricultural development resulting from the implementation of this programme naturally should in turn raise income in rural areas, improve nutritional standards and decrease dependency on food imports.



Western Samoa Research Centre.



## Marine Resources

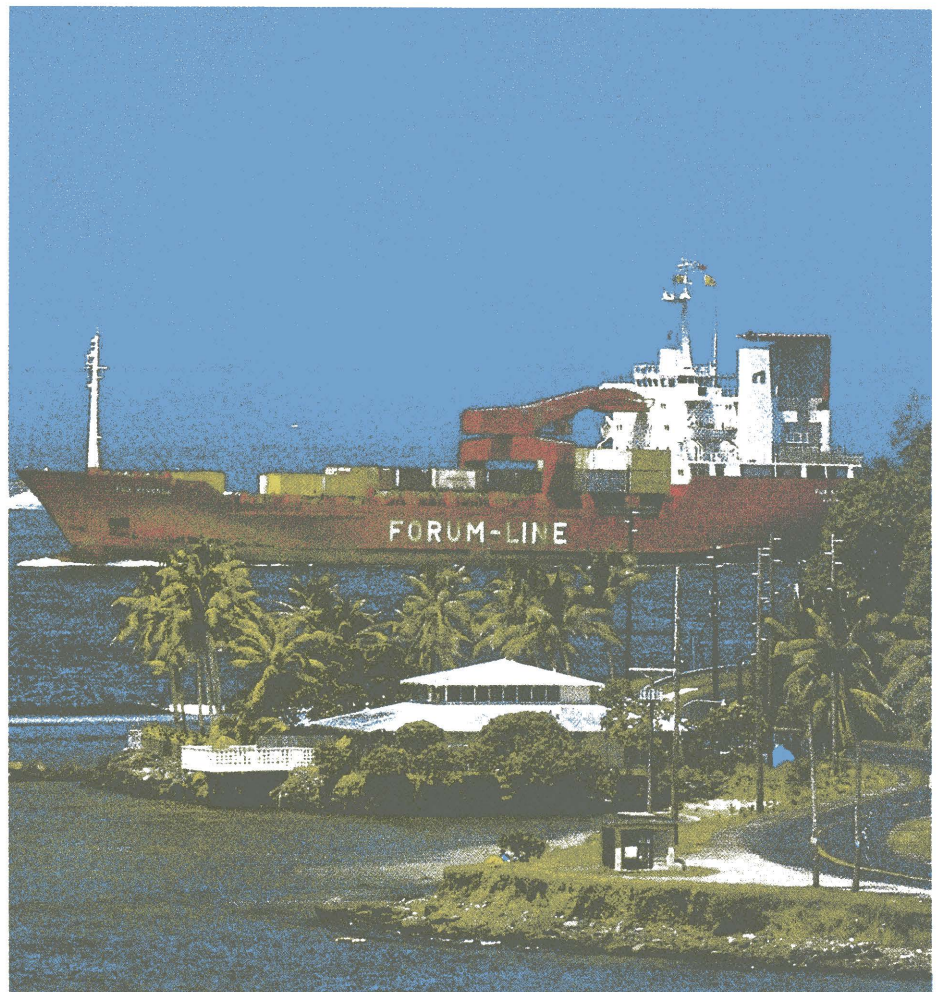
The total land area of the eight Pacific ACP States is less than 5% of their combined Exclusive Economic Zones, which cover a total Ocean area of some 11.7 million sq. km. This makes marine resources - fish and minerals - the region's most important asset for economic development. However, to possess enormous marine resources is one thing, to exploit them effectively is quite another.

Lack of qualified manpower and funds, combined with the tiny size of nearly all the countries concerned, has led the Pacific States to adopt a regional approach to marine resource research and management. Three regional organisations have been set up to this effect: the Forum Fisheries Agency (FFA) in the Solomon Islands, the Committee for Coordination of Joint Prospecting for Mineral Resources in South Pacific Offshore Areas (CCOP/SOPAC) in Fiji and the South Pacific Commission (SPC) in New Caledonia.

Development of ocean resources is at the forefront of the Lomé III Pacific Regional Programme. The project is designed to supply basic information on the quality and location of seabed minerals and to assess fishery stocks rather than to promote production directly. It thus contains a large element of technical assistance, some of which is of a highly specialized nature, while the remaining elements are closely linked to the training of the local workforce.

Data collection on mineral resources, ranging from hydrocarbons to manganese, cobalt crust and nearshore building materials will require highly specialised technical expertise. This will involve coastal and offshore seabed mapping on the one hand and geological, seismic, gravity and magnetic studies for hydrocarbon research on the other.

The findings of this deep sea exploitation might not be commercially exploitable by the Pacific ACP countries in the short term. They will however provide clear indications as to exploitable resources, their location and quality in order to enable these countries to negotiate the best terms for the exploitation of specific materials when the appropriate time comes. On the other hand, easily accessible nearshore minerals deposits such as building



*Pacific Forum Line.*

materials and precious corals could be exploited in the near future.

The coordination of this part of the project is ensured by CCOP/SOPAC as a regional organisation. The EDF fund covers consulting services, technical assistance, training, the supply of equipment, data processing and management.

Among the region's sea resources, fisheries are widely exploited. Artisanal fishing is a major activity for people living in the rural areas, and seafoods form an important part of their daily diet. Tuna is the most abundant and valuable of commercial fishery resources. However, some 90% of the annual commercial catch is landed by foreign fleets and the island countries have difficulty in developing and organising the management of these resources.

Management is further complicated by conflicts which develop due to the migration of tuna fish through the waters of different countries. Although the UN Maritime Convention has declared EEZs for all nations in this region, few of their boundaries have been formally settled, with obvious consequen-

ces in terms of illegal fishing in these zones and losses of revenue and stocks.

This project will therefore help the Forum Fisheries Agency (FFA) to carry out negotiations among its member States with a view to delimiting their EEZ boundaries more clearly.

The assessment of fishery stocks is another aspect of the project. Research undertaken so far has often been fragmented and the absence of a data base has hampered progress.

A Tuna Fisheries Management Information Service is to be developed by the FFA through a regional data base and information network. Access to this data base and its updating will be maintained by the establishment of a telecommunications link between the fisheries and micro-computers of the eight countries. This link will ease the major bottleneck in the present system by providing a time-saving and cost effective reporting facility.

Fishery stock assessment of all types and their interaction is the highest priority for the Pacific states and a regional



tuna tagging programme is planned to meet this need.

The major objectives of the tagging programme are to estimate interactions between tuna fisheries, further determine patterns of tuna movements, provide estimates of population parameters and assess the potential for further expansion. Research findings are particularly important for the island States because the development of their national tuna fishing depends on the magnitude of available resources and the extent to which they can sustain exploitation.

The overall programme will be carried out by the three regional institutions (SPC, FFA, CCOP/SOPAC) in collaboration with the eight Pacific States.

Fishery and mineral resources represent an important potential, and EEC technical assistance in this field will therefore contribute considerably towards the future economic development of the region.

## Communications

Projects in the field of communications cover not only telecommunications but also air and maritime transport in the Pacific region. Due to the huge distances separating the islands, constraints in this field are considerable. Under the two previous Conventions, the Lomé regional programme thus gave priority to these sub-sectors. As to Lomé III, the main objective remains the same, although only the telecommunications project has been so far approved.

Involving the construction of maritime coast radio stations in the Solomon Islands and Tonga as well as earth satellite stations in Western Samoa and Kiribati, this project (5.6 MECU) will develop the regional telecommunications network.

The setting up of the maritime radio stations is of vital importance for the island populations who depend on fishing for their livelihood. Indeed, lack of information on sea weather conditions continues to cause loss of life among local fishermen. The radio station will therefore improve ship-to-shore communications and increase navigational safety by providing early warnings of hurricanes to ships in the area.

In Kiribati, the installation of a satellite station in Kiritimati (Christmas Island),

located 3 000 km. from the capital Tarawa, is expected to greatly reduce its isolation. The telecommunication facilities will therefore assist the population of Kiritimati not only to become more integrated in the overall development of Kiribati, but will also make access easier to other islands in the region.

The availability of high quality international telephone services is an essential prerequisite to tourism development. The earth satellite infrastructure hence provides data collection on tourist arrivals and departures as well as to improve air control and meteorological services.

As part of the SP Telecommunications Development Programme, the project's goal is to improve inter-country links and gradually extend up-to-date services to urban and rural populations.

## Development of tourism and trade

### Tourism

Tourism in the Pacific region is increasingly seen as a means of generating economic activity and as a major source of foreign exchange. However, to counter the adverse effects of tourism on local culture, the Pacific Island States have adopted a cautious approach to its expansion, emphasising the need to link tourism with other productive sectors such as agriculture, building and handicrafts.

Thus, hotels are seen as an incentive for farmers to increase production and income; traditional architecture and building methods are retained to provide local employment while preserving the region's culture; and traditional handicrafts, which are vital to the island societies, particularly in Tonga, both in terms of income and artistic value, are to be developed in parallel with tourism.

In support of this strategy, the Lomé II regional programme financed the introduction of a data base, training and tourism promotion.

The Tourism Council of the South Pacific (TCSP) and the National Tourism Organisations (NTOs), have been provided with computers and telefax machines to collect and transmit data on tourist arrivals and departures, the region's transport network and its tourist attractions. Courses have been held on hotel

management, catering skills and tour planning; and a regional tourism training centre has been set up in Fiji. To promote understanding of local cultures, as well as the increase of tourist visitors, external awareness programmes have been prepared, involving inter alia the production of a wide range of materials (documentary films, brochures, and posters) to attract tourists to the region. Internal awareness programmes have also been prepared, to accustom the local people to an increase in tourism.

This is a complex integrated programme involving in particular extensive surveys and pilot projects designed to help revenues from tourism to stimulate and develop other sectors, particularly agriculture, handicrafts and construction. These linkage projects are designed also to avoid financial leakages, such as on increased food imports, which often result from increases in tourism. Pilot projects designed to use tourism inputs and revenue to help the environment, are included in the second (Lomé III) phase of the programme.

The programme is continuing under Lomé III, with the aim of further promoting the South Pacific as a tourist destination while ensuring maximum returns for the host countries. Activities include :

- tourism promotion, in Pacific and European markets;
- linkages projects;
- an evaluation of the economic returns and of the effects of tourism on their economic development;
- preparation of an investors' guide and a corporate plan for tourism;
- identification of ways to improve air transport (at present flights are too infrequent and, because of the distances involved, are often unprofitable for airlines);
- continuing collection of information on tourist flows.

Improved coordination between TCSP members and the training and data collection programmes have already helped to increase tourist arrivals. Although numbers of visitors and receipts are modest in relation to many other tourist destinations (the Pacific ACP countries recorded some 400 000 tourists and gross receipts of 140 MECU in 1986) tourist arrivals are increasing by an estimated 4 000 a year and receipts from tourism by roughly 1.5 MECU annually.





*Modern facilities, traditional architecture : the Tusitala Hotel, Western Samoa.*

## Trade

A first step towards a collective South Pacific trade strategy was taken in 1984 with the establishment of the Pacific Islands Association of Chambers of Commerce (PIACC). Its first task was to set up the basic infrastructure needed to exchange information on trade. Supported from the outset by Lomé II regional funds (287 000 ECU), it became operational in 1985.

Initially PIACC's activities were limited to distribution of practical information to its members via a news bulletin and an annual directory of organisations in the public and private sectors.

A second, more substantial programme (800 000 ECU from Lomé III regional funds) is designed to consolidate results to date and further develop the services offered by PIACC.

In addition to providing continued support for the news bulletin and the annual directory, the programme will finance the production of educational and advisory brochures on Chamber of Commerce management, training courses

for staff, and the establishment of public relations services to increase public and private sector awareness and strengthen links between national Chambers of Commerce.

The project will also put particular emphasis on market research, product identification, marketing and promotion methods.

New Caledonia and French Polynesia are included in the programme, making it the first joint ACP-OCT project in the Pacific region (total project : 1 Million Ecu).

At the Pacific ACP-EC Ministerial Meeting in Fiji in May 1989, it was decided to launch a more wide-ranging study on trade promotion and export development, involving market access, post-harvest techniques and financial institutions.

The meeting also decided to allocate funds for participation by the Pacific ACP States at the 1992 World Exhibition in Sevilla, Spain, following the success of the Pacific Village at Expo 1988 in Brisbane.



## Co-operation with overseas countries and territories

Since its foundation the EEC has provided assistance to the "overseas countries and territories" (OCTs) for which certain of its member states have responsibility. In the Pacific there are three such territories, all under French administration : New Caledonia, French Polynesia and Wallis and Futuna.

In addition to a relatively small population - New Caledonia has 145 000 inhabitants, French Polynesia 186 000 and Wallis and Futuna 12 000 - their economies have two other common features: a substantial trade deficit and subsistence - level agriculture. A shortage of fertile land (in Wallis and Futuna) and high labour costs combined with a lack of organised distribution circuits (in New Caledonia) help to explain the low level of agricultural production and the relatively high level of food imports.

In 1987, for example, French Polynesia's imports stood at 700 MECU against exports of 40 MECU (of which black pearl accounted for nearly half). Wallis and Futuna's imports, although on a much smaller scale (3.3 MECU), were 30 times higher than its exports. Of the three territories, New Caledonia, rich in mineral resources, ran the smallest deficit : exports totalling 212 MECU in 1987 (of which nickel made up 75%) covered nearly half the cost of imports (535 MECU).

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

### New Caledonia

Agriculture, training, the transport network and energy are the main sectors to which the European Community's development programme has contributed in the past. The 6th EDF (7.85 MECU), while covering similar fields, is placing more emphasis on agriculture and rural development.

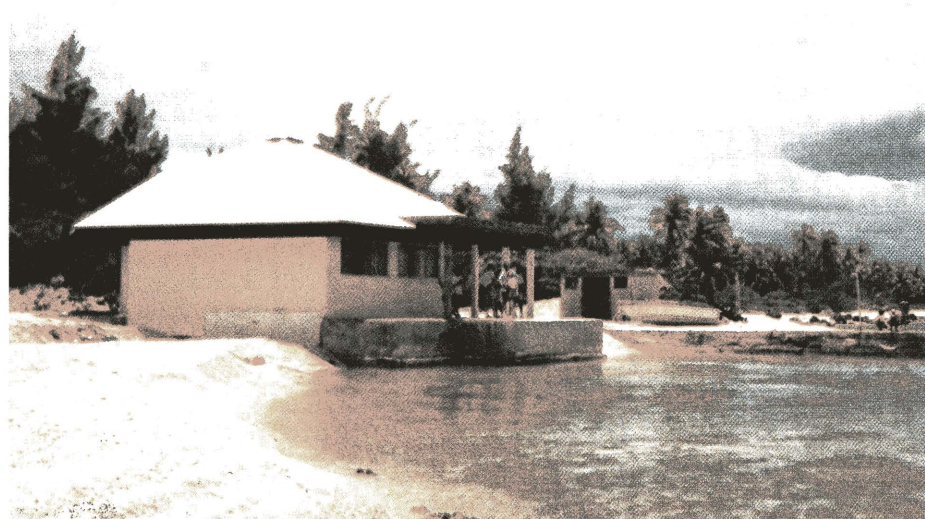
Thus projects for a total amount of 2.85 MECU will cover drinking water supply, rice growing, fisheries, and the improvement and rationalisation of distribution circuits in rural areas. Human

resources development, covering such activities as agricultural training, artisanal work and commerce (2.0 MECU), is another area of cooperation which will concentrate on the rural population and which should back up agricultural production. In the transport sector, 1.2 MECU has been allocated to the upgrading of Magenta airport.

### French Polynesia

The territory at present imports 80% of its food, and Community assistance is therefore concentrated on agricultural development, to increase local production and reduce imports. Of the total resources allocated under the 6th EDF (7.85 MECU), agriculture will receive 2.9 MECU and fisheries 1.75 MECU. In addition to programmed aid, French Polynesia received a total of 2 533 288 ECU in Stabex transfers in 1986 and 1987 for export losses on copra.

*Black pearl workshop.*



### Wallis and Futuna

Infrastructure projects have absorbed the greater part of EEC funds for Wallis and Futuna. Fifth EDF resources were used to finance a wharf extension, electrification in Futuna and microprojects.

Sixth EDF resources (3.25 MECU in all) will be used in a similar way : 1.9 MECU has been allocated to the construction of a network of access roads, 1.1 MECU to an electricity transmission project, and the balance (0.25 MECU) to a programme of microprojects.

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

|                        | EDF 4      | EDF 5       | EDF 6       | Total       |
|------------------------|------------|-------------|-------------|-------------|
| Territorial programmes |            |             |             |             |
| – French Polynesia     | 3.0        | 6.0         | 7.8         | 16.8        |
| – New Caledonia        | 3.0        | 7.3         | 7.8         | 18.1        |
| – Wallis and Futuna    | 1.3        | 2.5         | 3.2         | 7.0         |
| Regional programmes    | –          | 3.2         | 4.1         | 7.3         |
| <b>Grand total</b>     | <b>7.3</b> | <b>19.0</b> | <b>22.9</b> | <b>49.2</b> |

## Principal abbreviations used in the brochure

**ACP** : African, Caribbean and Pacific countries which have signed the Lome Convention

**EEC** : European Economic Community

**CEC** : Commission of the European Communities

**EIB** : European Investment Bank

**EDF** : European Development Fund

**NGO** : Non-governmental organisation (Save the Children Fund, Danchurchaid, etc.)

**ECU** : European Currency Unit (the EEC's accounting unit, worth approximately 1.1 US dollar in June 1989).

**MECU** : Million Ecu

**EEZ** : Exclusive economic zone (under the United Nations Law of the Sea, the Pacific States are entitled to declare all waters up to 200 miles off their coasts as their "exclusive" zone).

**PFL** : Pacific Forum Line

**PNG** : Papua New Guinea

**SPEC** : South Pacific Bureau for Economic Cooperation

**USP** : University of the South Pacific

**STABEX** : Stabilisation of export earnings.





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