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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

Regional Development Strategy Statement

FY1990 - FY1994

Regional Development Office
South Pacific

June 1988

This RDSS is submitted for Papua New Guinea, Fiji, Solomon Islands, Vanuatu, Western Samoa, Kiribati, Tonga, Cook Islands, Tuvalu and Niue.

BEST AVAILABLE

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EXECUTIVE SUMMARY

1. Background

The Regional Development Strategy Statement (RDSS) for FY1990-FY1994 represents a shift in the program and management strategies to support economic and social development in the ten countries served by the U.S.A.I.D. Regional Development Office in the South Pacific (RDO/SP).

This shift is that fewer things done better "will make a difference." The program strategy is built on one goal, three technical areas and ten countries, with fewer and more focused projects. The management strategy emphasizes government-to-government negotiations and policy dialogue, implementation monitoring and program evaluation. The South Pacific has benefited from Peace Corps and PVO collaboration. This will continue in close alignment with the regional strategy.

This shift reflects several independent but complementary developments. These are:

> The recommendations made by an A.I.D./W program review team that the A.I.D. program be more focused in its development efforts and more disciplined in its management style.
>
> The recommendations made by U.S. Ambassadors in the region that U.S. assistance programs be more visible, with a significant impact upon the economic and development problems affecting a strategic region.
>
> The requests made by host government officials that U.S. assistance programs be conducted more collaboratively and with greater government involvement.

2. Strategic Rationale

The islands, aligned with the West since independence, have been moderate, stable and democratic states. These are young nations, prideful of their independence. They face the tough challenges of nation building as well as the daunting challenges of economic development. Two coups in Fiji, rioting in Vanuatu and shootings in New Caledonia have highlighted underlying tensions. Change is coming in the South Pacific. Soviet offers of fishing treaties and geophysical research programs and Libya's promotion of "training" opportunities indicate that others are attempting to influence and shape that change.

It is important to prevent the area from becoming another "hot spot" of competing superpowers, erratic interventions by terrorist states such as Libya or part of the drug-dominated world of offshore banking facilities and unregulated tax havens. U.S. participation can either be ad hoc crisis management or be part of a structured plan. A sustained development assistance program that makes a difference to the rate and direction of growth will help avoid crisis management later.

3. Development Rationale

The island states want to develop. Absolute poverty is not the issue; however, high per capita income levels hide large differences between rural and urban populations. Governments worry about the dual economy created by the rapid growth of the small, modern sectors and the slow, or stagnant, growth in the traditional sectors. Governments face obstacles to providing jobs, education, health and other services to their growing populations because of their limited resources and fragile environments. Although they want to build as much self-reliance as possible, they have very limited human resources.

It is not a question of stopping or reversing the modern sector growth rates. The governments recognize that growth is necessary. It is a question of

whether income opportunities can be improved in the traditional sectors, so that the political and social tensions stemming from dual economies can be mitigated.

4. Rationale for an A.I.D. Program

The link between political stability and economic development is clear. But what role can an A.I.D. program play when high assistance levels already raise questions of absorbtive capacity and development potential? U. S. assistance must be based on whether we can make a qualitative difference, not a quantitative one. To have that impact, the program will focus on:

(1) problems that are given high priority by the host government and that affect significant numbers of people; and,

(2) specific areas in which A.I.D. can provide intellectual leadership.

Total U.S. assistance from all sources to these ten countries will be over $100 million dollars during the five-year period of this RDSS. Used in support of the RDO/SP strategy, this assistance will make a difference and will be used in the ten bilateral country programs, which differ in size, in emphasis and in complexity, but which have the same goal:

To increase income opportunities for men and women within the islands through means which enhance the conservation and management of natural resources.

5. RDO/SP Development Strategy

Given the concerns about dual economies and self-sustaining development, the RDSS goal puts the U.S. effort at the heart of the major development challenges facing these ten countries. The program strategy consists of five basic principles.

a) To have a broad impact on incomes, the program concentrates on private sector activities utilizing agricultural and marine resources, the

areas in which the majority of the population is, and will continue to be, employed.

b) To have a quick impact on incomes, the program concentrates on expanding the use of agricultural and marine resources, within the limits of sustainable natural resources, for commercial opportunities in both domestic and export markets.

c) To multiply the impact on incomes, the program seeks to have other donors draw from and be influenced by the A.I.D. program. The U.S. can provide intellectual leadership and unique expertise in natural resource conservation and management, in agricultural research and in private sector development.

d) To assure that income opportunities are maintained and replicated, the program provides selective assistance to national and regional institutions that provide support services for agricultural and marine resources development.

e) To minimize the negative impact of rapid population growth and ill-health on incomes, the program will support family planning activities and selected health interventions.

I. ENVIRONMENT FOR DEVELOPMENT

A. The Political Environment

The Pacific Ocean is the largest geographic feature on the planet, covering almost one-third of the earth's surface. Scattered across that vast area are over 33,000 islands, which make up over 30 independent countries, territories, associated states and dependencies. During World War II, many of them became household words, like Guadalcanal or Tarawa. Few people in the United States today know that Tarawa is the capital of an independent country, Kiribati, or that Honiara is the capital of the Solomon Islands on the island of Guadalcanal.

That ignorance has been interpreted as U.S. indifference. There is some truth in that allegation. Despite World War II, Korea and Vietnam, the South Pacific islands have not been perceived as a problem within the range of U.S. Pacific concerns. That perception is changing. Now is an especially appropriate time to consolidate and strengthen the positive pattern of U.S.-South Pacific relationships. Neither the political environment nor the development environment is at a crisis stage. There remains a legacy of good will from World War II. The regional fisheries treaty removed the major irritant caused by U.S. tuna vessels. A series of high-level U.S. visitors last year was well received, and two Presidential delegations will be in the region this summer. A well-managed U.S. disaster assistance program in the wake of cyclones in the Cook Islands, Solomons Islands and Vanuatu provided direct, visible and quick results and generated further good will.

There is cause for concern about political instability in the region with two coups in Fiji, recent parliamentary instability in Papua New Guinea (PNG) and continuing French confrontations with militant separatists. Most island states have yet to establish a tradition of how power is to be shared. How the benefits of economic growth are to be shared is the heart of the political debate.

The Soviets have exercised steady pressure in the region. They have actively sought extensive fishing treaties in the area, at prices beyond commercial value, and made offers to help conduct geophysical research. Such operations provide intelligence as well as preparing for a southward extension of the Soviet Pacific fleet's operating range, complementing the large buildup at its base in Cam Ranh Bay. They have expressed interest in purchasing Pacific island sugar and timber at a time when the U.S. is reducing its purchases. They have actively promoted and supported the movement calling for a nuclear-free zone in the South Pacific.

Change is coming in the South Pacific. The Soviets and others have clearly decided that they want to influence and shape those changes. The question is not whether the U.S. also wants to influence change, but whether it wants to participate by reacting to crises or by supporting positive forces for change.

B. The Physical Environment

The physical environment for development is positive but poses significant ecological challenges. Resources include water filled with aquatic life, land suitable for agriculture and forestry, scenery and climate suitable for tourism and, in some cases, exportable minerals. Population densities in relation to land mass are high on many islands and even higher relative to available usable land. The islands are geographically isolated and broadly dispersed even within national borders.

Distinctive differences among the islands relate to their origin which results in four general types: continental islands and three varieties of oceanic islands. See attached Table I.1.

Continental islands were probably part of the Asian mainland and are now fragments of the continental shield. Their geological structure is quite complex with diverse and substantial mineral resources and rich soils. The main islands of Papua New Guinea, Fiji, Solomon Islands and Vanuatu are continental islands. These islands are characterized by rugged interior mountain ranges, divided plateaus and precipitous interior valleys. Lower

areas tend to be divided by twisting rivers, alternating swampy areas and coastal plains. The very topography creates barriers that function to keep human groups separated into small linguistic and political communities.

Oceanic islands are derived from volcanic activity, with or without subsequent coral reef development, and essentially have mediocre soils and no mineral resources, except for phosphate.

High volcanic islands have steep cliffs and mountain ranges divided by deep valleys opening to coastal flat zones with a thin covering of moderately fertile soil. Most have fresh water sources. The main islands of Western Samoa and the Cook Islands are in this category.

Atoll islands, seldom more than 16 feet above high tide, are built upward from coral reefs, usually with a central lagoon. Atolls, with thin and poor soils, are dependent upon rainfall for fresh water. All of Kiribati, Tuvalu, Tonga and most of the Cooks fall into this category.

Raised atoll islands, such as Niue, are high above the water, with steep cliffs and very poor soils.

C. The Economic Environment

In an area as large and diverse as the South Pacific, generalized statements always have exceptions, especially when assessing economic performance and potential. Comparative data can show the range of economic performance for most key indicators. The problem is that the range for each variable is considerable with no consistent pattern of performance.

Post-independence economic performance has been erratic and, with donor aid equivalent to 30% to 40% of GDP and over 50% of government expenditures in over half of the countries in the region (see Table I.2), the statistics may say more about major donor assistance policy than recipient capacity.

Evaluations based on potential also fail to show any consistent pattern since

the ranking varies considerably based on whether physical or human resources are used. The identification of economic potential on the basis of soils and minerals is a classic approach, but it fails to take into account extensive marine resources, including the potentially large exploitation of minerals on seabeds. Use of the policy environment as the key variable yields yet another ranking. See attached Table I.3.

These evaluations also fail to take into account the impact that strong leadership and innovative approaches to growth can have. For example, there is an unanswered question of whether the smallest countries (Cook Islands, Tuvalu and Niue) are too small with too few resources to ever become self-sustaining. But both Cook Islands and Niue have entered into a free association with New Zealand in which their citizens have free access to New Zealand and Australian labor markets. As a result under that arrangement, both now have more citizens residing outside of the country than at home. Remittances have become a major resource.

Tuvalu, which has limited potential under almost any standard, **and which** would appear to be totally dependent upon foreign aid, recently made world history by establishing the Tuvalu Trust Fund. The Trust will invest in a variety of low-risk assets designed to generate income. Tuvalu expects to meet half of its budget with the interest from the fund, counting on getting $2 million a year from the $27 million fund. Therefore Tuvalu now has a measure of economic independence.

Tonga, which by objective analysis would be given little hope, is actually one of the better economic performers and through sound management and a positive policy environment is making steady progress. Kiribati and Western Samoa are capable of making similar progress, but, for different reasons, they both represent difficult policy environments.

There is general agreement that three of the larger countries, PNG, Solomon Islands and Vanuatu, are capable of reaching a self-sustaining level of economic growth. These are continental islands with rich soils and minerals.

But, with a small base of trained, educated and healthy men and women, development will be difficult. Their weaker institutional base causes absorbtive capacity problems.

Fiji is the only country which has become economically self-sustaining. However, the twin bases of growth in Fiji, sugar and tourism, are in the private sector, which was shaken by the two military coups in 1987. Resumed growth will take time. In sum, South Pacific countries start with different assets and each works with different advantages and disadvantages. Their development prospects rest largely on the skill with which their resources, human and physical, are managed.

D. The Donor Environment

Despite high per capita aid levels, development has been slow and has barely kept pace with population increases. The countries have grown more dependent upon foreign aid, rather than less, and have problems effectively using the aid received. Overall aid flows have remained relatively steady. The mix of donors is shifting, with Japan and the U.S. raising their aid levels while Australia and New Zealand seek to maintain past levels with their weaker currencies.

The U.S. is not the only donor who is currently reviewing its strategy in the South Pacific. As one result of a recent review, Australia, the major donor, is shifting its substantial assistance program to PNG from budgetary support to project assistance. The Japanese government recently received a report defining new approaches for assistance throughout the region, including a move away from assistance on request in the larger countries. The report calls for heightened efforts in planning assistance and identifying priorities in a systematic manner.

Overall, the outlook is for continuing high per capita aid levels with a greater commitment from donors to improving the quality of assistance. Donor coordination will also need improvement to avoid duplication and to identify areas of expertise. Other benefits include the possibility of leveraging

other donor policies and funds to complement U.S. efforts to have a greater impact on selected development problems. Concerted donor effort will also have a greater chance of influencing economic planning and policy priorities. The extent to which the U.S. can influence this process will be determined by the amount of staff time available in the field and in A.I.D./W to devote to these issues.

E. The Potential for Development

A comprehensive projection of the potential for developmental success or failure either of the region or of individual countries is difficult to make due to lack of data. Broad trends can be identified. Inter alia, these are:

NEGATIVE TRENDS AND CONSTRAINTS

- Pacific island economies are based on a narrow range of products, which are vulnerable to shifts in world trade. Most recent projections of key commodities indicate that prices will not return to previous highs over the next five years. Copra is now one-fifth of its 1984 level.

- Pacific island economies lack a domestic market large enough to warrant any sustainable benefit from import substitution approaches to development.

- Traditional exports represent a "mature" market with limited opportunities for expanded production and/or earnings and considerable potential for economic loss and environmental damage if the natural resource base is not managed appropriately.

- Development of new export opportunities is limited by isolation, high transportation costs, limited production capacities and limited human and physical infrastructure.

- Tourism has been the major growth industry in the recent past, but political instability has drastically cut back forecasts of its future role.

- Islands are probably the most aid-dependent countries in the world.

- Future growth will come primarily from those traditional areas that are still classified primarily as "subsistence."

- There are relatively few areas that are still solely subsistence. PNG faces one of the more drastically imbalanced dual economies. About 87% of the population is in the rural sector. The World Bank estimates that about 70% of the rural population already participates in the cash, in most cases export, economy. See Table I.4.

- Marine resource exploitation and mineral exploration represent potential major new sources of growth for some islands.

- Special trade preference arrangements with SPARTECA (Australia and New Zealand), ACP (Economic Community) and the U.S., backed up by Small Tax Free Zones along the Irish model, offer significant potential for growth in small-scale manufacturing in some countries.

- Although it will be difficult, all of these countries have the potential of becoming more self-reliant and most can attain some level of self-sustaining growth.

II. PROBLEM ANALYSIS AND DESCRIPTION

A. Inadequate Economic Growth

1. Patterns of Growth

A review of the economic patterns of the region shows that most growth has come from the sectors of the economy open for private sector initiative and innovation, most recently tourism. The economic structure of the island countries is dominated by agriculture and fishing, which account for 70% of the workforce and for over 50% of the export earnings. Marine resources are increasingly important.

The countries have maintained respectable rates of growth with little buildup of unemployment. But dual economies have been created, and underemployment in the traditional sectors is a problem. In most of the island countries, the population is young with 40% or more below the age of 15. Expanding economies fast enough to offer productive employment to the next generation is a major concern to all of the governments.

2. Basic Economic Growth

Real foreign exchange earnings have been increasing and the current account balances, although in deficit, have been stable. Almost all of the countries have achieved positive rates of growth for at least part of the period since independence. The growth has been unusually erratic; however, given the small size of these economies, large increases or decreases in the GDP can reflect the start of a major donor project or a drop in the price of the major export commodity.

With the exception of Western Samoa, the South Pacific nations have maintained stable ratios of foreign exchange reserves to imports. See Table II.1. International reserves are steady or increasing, and little buildup of international debt exists except in PNG, where debt service ratio to exports reached 36% in 1984, and in Western Samoa, where debt service reached nearly 20% of export earnings in 1985. Western Samoa entered into an IMF-led stabilization program in 1986 and has adhered to its discipline. PNG, because of its expected exports earnings in copper and gold, is still considered creditworthy. Currencies are freely exchangable. However, these numbers mask major issues.

Almost all of these countries run significant deficits on their trade balances with imports two to three time higher than exports, and most have deficits on their current accounts. See Table I.2. The deficits are covered by significant remittances and by external assistance. Since both Australia and New Zealand provide budget support, the governments have built up an unsustainable public sector in addition to an import dependency. See attached Table II.2. In short, the overall development effort, if defined as reaching

a level of selfsustaining growth, has not been successful, and countries are becoming more aid dependent rather than more self-sustaining.

Fiji is the only country which has become economically self-sustaining, with a GDP of $1,460 with only $46 per capita aid levels in 1985. Aid as a percent of total government expenditures is only 9% in Fiji, while it ranges over 50% for most other countries. However, the twin bases of growth in Fiji, sugar and tourism, are in the private sector, and business confidence has been shaken by the two military coups in 1987.

3. Country Priorities

Economic growth rates are not the major preoccupation of South Pacific governments. Although some have grown more rapidly than others, none perceive economic growth to be unachievable. A critical concern is that a dual economy is being created by the rapid growth of small modern sectors combined with slow, or stagnant, growth in the traditional sectors. The high per capita income levels usually listed for these countries hide the large differences that exist between rural (outer island) and urban populations.

The governments are concerned that these differences will inevitably aggravate poltical tensions. They, therefore, seek a quality of growth that does not destroy their traditions, their cultural values or their natural resources. Their development plans refer to balanced growth and to equitable growth, to self-reliant growth.

It is not a question of stopping or reversing modern sector growth rates. The governments recognize that growth is necessary. It is a question of whether income opportunities can be improved in the traditional sectors so that political and social tensions stemming from dual economies can be mitigated.

The strategy proposed in this RDSS responds to this critical and growing problem of dual enconomies by focusing on the traditional sectors of

agriculture and marine activities. It is a growth strategy. It recognizes that there is significant opportunity to increase incomes in the traditional sector and also contribute to the overall economy, including raising export earnings.

4. Sources for Growth: Marine Resources

Activities relating to the sea have long characterized the lifestyles of most of the communities of the Pacific islands. Approximately 4 million of the 5 million people in the ten countries of the RDO/SP region live on small islands or in coastal areas of larger islands. For these people, products from the sea have always played a central role in their daily lives.

Under the colonial administrations, relatively little attention was paid to marine resource development, but the national administrations since independence have increasingly looked to the sea for opportunities to contribute to meeting their aspirations for economic development.

Offshore, tuna provides important opportunities for long-term economic development. Exploitation of this resource is an important factor in relations between the island states and the U.S., which is the major market for tuna taken from the region.

However, despite substantial attention from private investors, national governments and donors, island economies have benefited little from the exploitation of tuna. Only the Solomon Islands is judged to have developed a profitable tuna industry. A highly competitive world tuna market, the large amounts of capital required and the lack of infrastructure and industrial fisheries expertise constrain tuna development in the region.

Inshore, marine resources sustain subsistence fishing and support a widespread and diverse pattern of small-scale commercial activities. On the outer islands, 80% to 90% of households gain a part of their livelihood from the sea. Typically, these people are harvesting marine products for subsistence,

contributing some of their catch to meet social obligations in their extended families and in their communities generally, and selling surplus catch or harvest of commercially important species for local consumption or export. Marine produce has become more important as returns from coconut products have declined. Even in urban areas, a high proportion of households supplement their food supplies and cash incomes from subsistence-level harvesting of marine resources. And, despite urbanization, subsistence catches continue to increase across the region.

Urbanization and rising cash incomes have increased local commercial demands for fish. At the same time, governments have seen the natural abundance of marine resources, the growing local demand for fish and the possibility of export markets for a range of marine products as providing opportunities to expand employment and cash incomes and to increase private investment and exports.

5. Sources for Growth: Agriculture

The agricultural production system is based on smallholders and is dependent on subsistence agriculture. However, the production of these smallholdings has supplied both local and urban markets as well as the export needs of the country. The contribution of subsistence agriculture to the national income of the countries is in the range of 9% to 33%. Agriculture provides an important share of the export earnings, government revenue and GDP of all the countries of the region. In 1985, the percentage share of export earnings ranged from a low of 17% in Kiribati to a high of 90% in Solomon Islands and Western Samoa. The share of GDP ranges from 20% in Cook Islands to 46% in PNG.

In recent years agricultural production has declined significantly as a result of natural disasters and internal political disturbances. Since most of the population participate in mixed agricultural and marine activities that are semi-subsistence, this decrease has meant a drop in personal income as well as a loss in national export earnings. At the same time increasing population and urban migration have put pressure on food supplies.

As changes are made in the agricultural development thrust of the countries and as countries move to more specialized fields, the role of agricultural research, including farming systems research, becomes more critical. Possibilities for agricultural diversity are limited by the very high crop failure rates on the small coral atolls. All vegetation except coconut, pandanus, breadfruit and a few other large perennials can be killed by sea spray. The most common known constraints are cultivation (clearly related to women and available time), post-harvest handling and distribution, and pest and disease control. See attached Table II.8.

6. Income of Low-Income Groups

Little data is available on distribution of income, and less is disaggregated by gender. Generalizations can be drawn from employment statistics in various development plans. These indicate that most of the workforce is still considered employed in the traditional agricultural sectors. Most plans, therefore, attempt to estimate the contribution of the subsistence sector to the economy. In showing employment levels, most significantly underestimate the contribution of women.

Wage employment is still primarily in the public sector, although private sector employment shows the greater growth. Few women are included in the wage economy. Statistical reviews of employment by education and sex show that women are better represented in the professional categories, with a strong bias toward teaching, nursing and secretarial work.

The creation of dual economies in which a relatively small portion of the population participates in and benefits from real growth is seen as a major problem in most of these countries. Those countries which are on the brink of accelerated development see this as a major problem to be avoided.

The generation and maintenance of basic statistical data is a primary goal of regional and international organizations. Eight of these countries are members of the Asian Development Bank, five are members of the World Bank and

nine belong to the United Nations. The U.S. Executive Directors at these international banks and the U.S. delegation to the U.N. could undertake quiet discussions to see whether more staff time could be given to obtaining and maintaining consistent comparative data.

7. Growth Summary

To summarize, the existing income levels indicate that economic growth is still a priority since the countries are classified by the World Bank as moderate to low income. Two have recently been classified as "Relatively Least Developed" by the United Nations. There are structural imbalances within the economies made possible by external flows (donors and remittances). There are distributional problems between urban and non-urban areas and between men and women.

B. Hunger

Nutritional surveys have been made of selected groups of populations within selected countries. These results combined with agricultural and food production data indicate that malnutrition is common in infants and children due to tabus and traditions. Few groups of people face sustained hunger problems. Asian Development Bank statistics on trends in daily per capita protein and calorie supplies, included in the attachments, support this conclusion. See attached Table II.3.

These countries do not face serious and sustained shortages. Studies indicate that food deficiencies, especially iron deficiency and Vitamin A deficiency, may show up in statistical data on diseases. Maternal morbidity and mortality rates in PNG, which are high, are partially related to iron deficiency. Malaria is also a cause of iron deficiency, and malaria is endemic in PNG, Vanuatu and Solomon Islands. Specific studies in PNG indicate that nutrition suffers when groups of people are resettled on estates. Such agricultural resettlements, undertaken in order to increase production of cash crops and farmer income, have not given adequate attention to the impact on women.

As a result, women find it difficult to continue all of their traditional tasks, and they are not paid for their agricultural work on the cash crops. Food imports are growing both as a result of increased incomes and taste preferences as well as a reflection of a shift to modern, labor-saving foods as opposed to time-consuming traditional methods of food preparation. Nutritional deficiencies related to this switch have been documented. Health statistics confirm that poor selection of foods as well as more modern lifestyles (stress, diet, lack of exercise) contribute to a growth of degenerative diseases (cardio-vascular, diabetes, high blood pressure, obesity).

C. Health Deficiencies

The countries in the region break down into two groups with respect to health status of their populations. The more populous, generally poorer countries tend to suffer from high infant and child mortality levels, combined with relatively high incidence of communicable diseases (malaria, respiratory diseases, cholera, yellow fever). The smaller countries, having had more success overcoming infectious diseases, tend to suffer higher levels of non-communicable diseases (hypertension, diabetes, coronary heart disease, chronic bronchitis and cancers).

Comparative data on the ten countries on several health status indicators show the relative importance of the different problems. See attached Table II.4. The data clearly indicate that PNG, Vanuatu, Kiribati and Solomon Islands suffer considerably higher mortality levels and shorter life expectancy than do the other countries in the region. In fact, these four countries fail to meet the A.I.D. minimum health status achievement targets for most criteria. Their infant mortality rates average 78/1000 births, as opposed to the rest of the region's average of 32/1000. In PNG, the statistics probably underestimate the problem, as many rural communities still prohibit contact with women during menstruation and childbirth. The true infant mortality rate in PNG is estimated to be nearly twice the reported level of 72/1000.

Average child mortality rates and life expectancy also show this distinction. For PNG, Vanuatu, Solomons and Kiribati, the average rates are 13/1000 and 53 years respectively, as compared to the other countries' average of 5/1000 and 64 years. Pacific island governments generally rely heavily on expatriate medical personnel to operate their health services. Despite the two medical schools in Suva and Port Moresby, the public health systems need better trained staff. In PNG, the major constraints to effective rural health care delivery are more a lack of management skills than funding, more a problem of resource allocation and on-the job training than lack of equipment or facilities.

D. Lack of Education

As with other social statistics, educational figures are often unavailable, widely variable by source, and more in conformance with donor-reporting requirements larger than those of A.I.D. Nonetheless, the following observations can be drawn from the available data. See attached Table II.5.

The smaller countries display the best results, achieving A.I.D. standards on adult literacy (50%) and primary school enrollment (90%). The larger countries, on the other hand, fall short on both counts. Literacy rates in PNG and Solomon Islands are particularly abysmal, at rates of 32% and 13% respectively.

What gender-based statistics do exist indicate a skew in favor of males. The World Bank rates PNG's primary school enrollment at 62%, with 68% of eligible boys and 55% of girls so enrolled.

While these statistics indicate a need for a basic education intervention, the complete dependence of those countries on the Australian educational system precludes an effective A.I.D. role.

E. Population Pressure

As a group, populations of these countries are growing at near average rates

by world standards (about 2%). See attached Table II.6. According to individual census data, several countries are showing growth rates significantly lower than the world average or declining; these are, without exception, related to outward migration. See attached Chart at Table II.7. Were current immigration policies restricted significantly -- most notably in Australia and New Zealand -- the physical and economic impact on these small island nations would be immediate. Employment opportunities and services could not be provided, and alternative foreign exchange earnings do not exist.

Several countries -- particularly Solomons and Vanuatu -- are at the other end of the spectrum with growth rates significantly higher than world standards. The South Pacific Commission demographers speculate these may be "peak" rates, which will decline and stabilize around the 2% figure, as has occurred in the case of Fiji. However, most sources agree that one island country which has not yet reached its peak growth rate is PNG. Complicating the issue is the fact that in PNG and other countries, family planning has been a sensitive political issue, stemming most likely from indigenous customs, conservative western religion and high infant and childhood mortality rates.

The same can be said to a slightly lesser degree for the whole region. As a result, governments have accorded a low priority to this issue. Official statistics (such as on contraceptive prevalence) are sketchy and unreliable. Available statistics confirm the presumption that actual practice parallels the minimal interests of the governments. While these numbers may underestimate somewhat actual contraceptive use (they report only use seen through Ministry of Health facilities and do not include activities of family planning associations), they nonetheless fall far short of A.I.D.'s standard of 80% access to acceptable methods.

Lack of government population and family planning policies also testifies to the low level of attention paid to this issue. Presently, Fiji is the only nation to have a population policy.

However, official interest is increasing, as newly completed censuses are opening policy-makers' eyes to the problem of populations increasing faster than increases in resource exploitation and service delivery. Lack of schools in PNG, for instance, brought widespread public attention to the issue, as parents have found few available slots for their children in school systems already stretched beyond their capacity. As a result of such situations, PNG, Solomons and Kiribati are all in the process of developing national family planning and population policies.

It should be noted that while health factors are a component of increased interest in population issues, the major emphasis is economic. Consequently, the responsibility for drafting these national policies usually resides in the ministries of finance, planning or home affairs, rather than the ministries of health.

III. STRATEGY

A. Explanation of Problem Selection

The history of the A.I.D. program in the South Pacific has been a "niche filling" approach within very broad program parameters. The advantages of this approach were that RDO/SP could move quickly to meet unanticipated needs because most of its resources were not locked into pre-programmed activities. With limited funds, the program could be spread broadly throughout the area, be very responsive to immediate problems and meet a number of U.S. objectives.

The disadvantages were that developmental benefits tended to be limited and localized, and management suffered because the portfolio was diverse and scattered. A diverse and flexible program suffered in the competition for budgetary resources. The broad range of activities being funded, the apparent lack of coherence and the small amounts involved made funding reductions in the RDO/SP program appear inconsequential. Reflecting this perception and limited budget availability, new projects have been disapproved, funding levels have been cut and authorized activities have been left unfunded.

The RDSS for FY1990 - FY1994 represents a shift in the RDO/SP program to a concept that fewer things done better "will make a difference." The program strategy is built on one goal, three technical areas and ten countries, with fewer but more focused projects. This shift reflects several independent yet complementary developments. These are:

- The recommendations made by an A.I.D./W program review team that the A.I.D. program be more focused in its development efforts and more disciplined in its management style.

- The recommendations made by U.S. Ambassadors in the region that U.S. assistance programs be more visible, with a significant impact upon the economic and development problems affecting a strategic region.

- The requests made by host government officials that U.S. assistance programs be conducted more collaboratively and with greater government involvement.

In evaluating the various ways by which the RDO/SP program could be made responsive to these recommendations, major developmental weaknesses were identified:

- Governmental policies and procedures

- Lack of appropriate technology

- Institutional weaknesses related to the lack of trained men and women.

Such weaknesses must be addressed if these ten countries are to make significant progress toward the achievement of self-sustaining economic development. These interrelated and even overlapping issues affect almost every developmental endeavor throughout the islands. They neither guide the program as to the magnitude of the change sought nor point out the areas where change should be sought first.

A series of criteria were established to help focus and narrow the program. The first test was "will it matter?" In light of existing high assistance levels which already raise questions of absorbtive capacity and development potential, U. S. assistance must make a qualitative difference, not a quantitative one. To have that kind of impact, the assistance must focus on (1) problems given high priority by the host governments; (2) problems affecting significant numbers of people; and (3) problem areas where the U.S. has the capacity and the experience to provide intellectual leadership.

These criteria acted as filters to narrow down the answers to the question of what the A.I.D. goal should be. Additional "filters" drawn from U.S. legislation and agency policy papers (which are also host government priorities) were the importance of private sector activity in promoting economic growth, the role of women in development and the desirability of maintaining natural resources at sustainable levels despite increased intensity of use. The RDSS goal is the basic limiting factor which guided the development of the program strategy.

The RDSS development goal selected is: To increase income opportunities for men and women within the islands through means which enhance the conservation and management of natural resources.

Given the concern about dual economies, self-sustaining development and sustainable resources, this goal puts the U.S. effort at the heart of the major development challenges facing these ten countries.

The next narrowing of the focus was to concentrate on the productive sectors of the island economies which are currently the major areas of employment, i.e. agriculture and marine resources, and which, therefore, represent income-generating opportunities. Both of these sectors represent important components of GDP in that they are cash activities for domestic markets and export markets as well as subsistence activities.

Income opportunity was selected rather than employment given the extent of

underemployment or disguised unemployment in these sectors. In other words, the goal is not necessarily to get more people to fish; it is to make fishing more profitable. Over time, profits would presumably keep more people fishing, would keep people fishing beyond the stage at which they satisfy their family's consumption needs and social obligations and might attract people to fish who otherwise would not. At present, given these different motivations for who fishes and why, employment per se is not a useful goal or indicator of progress.

To further narrow and focus the program strategy, activities will be implemented through the private sector as commercial opportunities, and only those institutions necessary to provide support for expanded commercial opportunities will be included. Selective efforts in health and family planning are supported, since poor health and population pressures reduce the ability of men and women to participate in a productive economy.

The strategy thus developed has five principles. These are:

1. To have a broad impact on incomes, the program concentrates on private sector activities utilizing agricultural and marine resources, the areas in which the majority of the population is, and will continue to be, employed.

2. To have a quick impact on incomes, the program concentrates on expanding the use of agricultural and marine resources, within the limits of sustainable natural resources, for commercial opportunities in both domestic and export markets.

3. To multiply the impact on incomes, the program seeks to have other donors draw from and be influenced by the A.I.D. program. The U.S. can provide intellectual leadership and unique expertise in natural resource conservation and management, and agricultural research in private sector development.

4. To assure income opportunities are maintained and replicated, the

program provides selective assistance to national and regional institutions that provide support services for agricultural and marine resources development.

5. To minimize the negative impact of rapid population growth and ill-health on incomes, the program will support family planning activities and selected health interventions.

B. Problem Specific Strategies

The three development problems that will be addressed as part of the discussion of the three technical areas (marine resources, agriculture and health) are:

- Governmental policies and procedures which inhibit private sector development and/or ignore the consequences of neglecting resource conservation and management.

- Lack of appropriate technologies and of a resource data base adequate to the developmental task given the delicate economic and ecological base that must be maintained.

- Inadequate human resources and weak institutional frameworks in both the public and private sectors.

1. Marine Resource Development

Stimulated by the rising cash demand for fish and a range of relatively successful development programs, commercial marine resource activities in the islands have advanced along a systematic path of development over the last five to ten years from:

a) early stages where commercial fishing is concentrated on heavy exploitation of inshore resources around main centers;

b) through intermediate stages, where domestic demand is stimulated and fishing operators are systematically encouraged to develop under-utilized resources in outer islands and to move to fishing outer reef slopes and nearshore pelagic species;

c) to more mature stages, where larger artisanal vessels are used to develop deepwater, offshore, small-scale commercial fisheries for deep bottomfish and tuna of high quality for export; and,

d) mariculture to expand nearshore production of species such as pearl oyster, mussels, seaweed and giant clam.

As a result, artisanal fisheries production has expanded substantially across the region, with catches increasing by over 50% in recent five-year periods in several countries including Fiji, Tonga, Vanuatu and Western Samoa. Currently, around 20,000 people are committed to small-scale marine resource production for cash on a more or less full-time basis across the region. Another estimated 80,000 people are involved in fairly systematic part-time cash activities.

Proposed RDO/SP Program

In the area of small-scale marine resource development, the main thrust of RDO/SP strategy will be to provide direct assistance to the development of a limited number of private sector, generally export-oriented activities.

The approach will be an integrated one providing assistance as appropriate for marketing, production and resource management. The activities supported will vary with the level of development already reached in small-scale marine resource development.

In Fiji, assistance will be provided for a five-year program of development of offshore artisanal fishing. Here, an established, small-scale commercial fleet is already heavily exploiting nearshore fish resources for local consumption. Recent developments in overseas markets for bottomfish, improved air services to Japan and successful introductory offshore fishing for bottomfish and high-quality tuna by a small number of imported vessels in the 70- to 80-foot size range have proven the viability of local operations of this kind. The challenge is to develop a fleet of vessels in the 35- to 45-foot range that are within the means technically and financially of fishermen
who have been successful in smaller vessels. The scope of RDO/SP assistance will likely include technical assistance in vessel design and construction, development of fishing methods and resource assessment, capital assistance for new vessels and training for fishermen in vessel operations, fish handling, fishing methods and business management.

In Tonga, RDO/SP will provide assistance for a program of offshore artisanal development that is the same as that proposed for Fiji. However, in Tonga, the fisheries administration, with support from RDO/SP, is working on a systematic approach to marine resource management that makes it inappropriate to limit RDO/SP support on the resource management issues just to the bottomfish stocks. RDO/SP will continue to provide assistance in nearshore resource management and development including mariculture.

In Papua New Guinea, RDO/SP plans to support a program which will improve fish marketing facilities in up to three population centers and increase rural fish production in selected areas from which fish can be marketed. Drawing on experience with a project currently funded by RDO/SP which has successfully developed new forms of artisanal fishing vessels, the project will encourage fishing operators to fish beyond the reef, preserving lagoon and reef resources for subsistence purposes. This type of project could be implemented over time, with appropriate adjustments to local conditions (especially the stage of development of the existing small-scale commercial fishing operators), in almost every country in the RDO/SP region.

In the Cook Islands, RDO/SP will continue to support the development of mariculture in the outer islands including culture of pearl oysters, seaweed and giant clams. Of these, the major attention will be on pearl oyster culture. RDO/SP has already assisted in the successful establishment of private pearl oyster farms on Manihiki Island. With proper management the value of output from Manihiki should reach $5 million worth of black pearls in five years. Achievement of these returns requires careful management to avoid destruction of the pearl farms due to over-exploitation and disease. RDO/SP will provide technical assistance and training to establish further private farming operations on two other islands, Penrhyn and Suwarrow.

The projects described above will rigorously take account of the need to ensure that development activities are planned within the framework of knowledge of available resources and the need to ensure sustainability of harvests. In every case RDO/SP will assist in the establishment of regimes to conserve marine resources as part of the projects.

Resource Management Concerns

RDO/SP has in the past supported several significant marine resource conservation activities, and that emphasis will be further strengthened. RDO/SP will seek to ensure that resource conservation aspects are rigorously included in the development activities supported, so that potential development gains are not lost through over-exploitation, and will continue its support for the SPC Tuna and Billfish Assessment Program.

In the longer term, marine environmental issues are going to become central in development planning for coastal communities, as the effects of social and economic development press more closely against the limits of the relatively complex and fragile tropical marine ecosystems, especially on the smaller islands. In response RDO/SP plans to give increasing attention over time to broader and more fundamental marine environmental issues such as coastal zone management, prevention of marine environmental pollution and coastal settlement planning.

Development of Baseline Data

As a first step RDO/SP will work with interested governments and regional organizations to identify issues and establish the baseline information needed for planning a more detailed strategy for marine environmental protection. In a field where there is currently no other systematic bilateral donor interest and where island government capacities are relatively undeveloped, RDO/SP will work to define the relationship between small-island development and marine environmental protection as a basis for project and policy formulation. Nowhere are these issues more appropriate than on the low-lying atoll islands.

As a first step towards involvement in these issues, RDO/SP will work with the Government of Kiribati on a long-term program aimed at the conservation of marine resources, sustaining and increasing food production (including production from both marine resources and agriculture) and environmental protection on atolls. The activity will include work on the densely populated capital atoll of Tarawa and on the largely undeveloped atoll of Christmas Island - the world's largest atoll.

Role of Regional Organizations

The RDO/SP marine resources strategy will be fundamentally directed towards providing assistance for activities at a national level. While the application of the strategy will be sensitive to differences between the different island states, there are common or joint issues which are sensibly addressed at a regional level. Such issues range from technical aspects such as the appropriate design for offshore, small-scale fishing vessels and the design of deep bottomfish scientific monitoring programs to more general aspects such as strengthening the fisheries management capacities of island administrations. In these areas RDO/SP will continue its already close association with, and support for, appropriate regional organizations and will strengthen its association with the U.S. National Marine Fisheries Service.

The Fisheries Treaty

During 1990-1992, RDO/SP expects to provide grants of $30 million ($10 million p.a.) to the Pacific Island states participating in the Fisheries Treaty (which may include up to six states that do not otherwise receive assistance from A.I.D.). The primary purpose of the grants is to facilitate access for fishing by U.S. tuna vessels, preserving trading opportunities for U.S. investors currently worth around $300 million p.a. in tuna fishing and processing. Trade in tuna products is one of the major trade and investment interests of the U.S. in the region and probably the most important economic relationship between the U.S. and the Pacific Island states. Fisheries relations are also of major political importance.

A number of U.S. Government agencies will be involved in the Treaty implementation. RDO/SP will be responsible for the implementation of two grants ($45 million cash transfer over five years and $5 million project assistance for economic development projects over five years). RDO/SP's particular contribution will be to seek to maximize the development impact of the Treaty-related grants within the limitation of the provisions of the Treaty and to seek to broaden the framework of economic cooperation between the U.S. tuna industry and the island states, as a basis for sustainable and more commercial arrangements for fishing access by U.S. vessels.

RDO/SP will approach these objectives in two ways:

a) working with the U.S. tuna industry, the island states, FFA and relevant U.S. Government agencies, RDO/SP will provide assistance in the training of island nationals for employment on U.S. vessels, in promoting sales of goods and services to U.S. vessel operators by island businesses and in establishing joint ventures and other cooperative commercial arrangements.

b) with funding of around $200,000 p.a. to supplement Treaty project funds, RDO/SP will work with recipient governments to develop coherent programs which aim at the use of Treaty project funds for:

- private sector development, including privatization of government-owned productive assets in marine resources;

- export development of marine resources;

- marine resource conservation and management.

Solomon Islands, Tuvalu, Vanuatu and Western Samoa are the countries where this approach is expected to be most useful in reducing RDO/SP's task in managing Treaty grants and increasing the development impact of Treaty grant funds.

Other RDO/SP Linkages

The importance of marine resource development and protection will be reflected across the range of the RDO/SP program:

- through future A.I.D. training assistance, an increased priority will be given to marine resources training, including participant training;

- PVO programs, especially in Kiribati and Tuvalu, will continue to reflect the importance of marine resource development to communities in those countries;

- the pattern of RDO/SP private sector development activities will reflect the potential importance of marine resource development for private sector investment both local and foreign.

Management Strategy

The projects set out above are relatively complex and long term. Most are located in countries where there is no resident RDO/SP staff. However, RDO/SP has a comparative advantage in tackling these projects. We know the issues, we know the administrations and we know where and how to get high-quality American inputs. Against that background, appropriate project management can be put in place. It is proposed:

- to use contractors for project management. This will include basing a project manager for the Fiji and Tonga activities in Fiji. Depending on the size and complexity of the PNG activity and funding available, this might be managed from the same office, or there might be an on-site project manager in PNG;

- to use a cooperating institution, probably an appropriate university, to manage the Kiribati activity;

- to develop a PASA with the U.S. National Marine Fisheries Service Laboratory in Honolulu for at least the design and monitoring of the bottomfish stock assessment and resource management activities;

- to recruit a local-hire assistant for RDO/SP.

Benchmarks

More generally, the activities planned in the Cook Islands, Fiji, Tonga and PNG will be significant enough locally to stimulate further private investment and development. Overall gains in rational production of the resources targeted will be recorded as indicators of strategy achievement. The impact of the strategy in marine resource development and protection will be measurable in three forms:

Benefits associated with activities directly assisted in the program will be measured partially by project output, e.g., boat design and production or technology adopted, and by economic impact, e.g., catches, employment, income, exports generated, vessels constructed or mariculture operations established. In general, data on the performance of vessels and mariculture operations will be available from information collected for resource management purposes. Project-level data will be disaggregated by gender.

In Cook Islands, Fiji, Tonga and PNG, the program can be expected to stimulate increases in production outside the activities directly assisted. In each country relatively well-established statistical systems will provide measures of changes in overall artisanal production of fish and other marine resources. These statistics are not disaggregated by gender; however, a qualitative judgment can be made on the basis of type of catch (lagoon, reef, outer banks).

Qualitative impacts, especially the impact of improved resource management and conservation, will be measured in the short term by the number of resources which effective management and conservation programs have implemented. The real impacts of improved management and conservation are, however, long term and will be measurable by the extent to which yields are sustainable in the long term.

2. Agricultural Resource Development

It is clear that there is a place for regional projects and programs. But based on the responses of people throughout the region, it is also clear that the South Pacific countries prefer bilateral projects to regional. In recognition of this concern, the RDO/SP agricultural program will aim to provide assistance to enhance the regional capability of supporting national programs and, where feasible, deliver assistance via a bilateral program. Such a mix is intended to assure sustainability and to avoid costly duplication. The recommended agricultural sector program focuses on:

Workforce Development

The bulk of RDO/SP assistance in agriculture would be provided for this purpose. It addresses the fundamental constraint to development - the lack of trained manpower.

Enterprise Development

The promotion of private enterprise is a major element of the program.

Technology Development and Transfer

Agricultural development requires supporting services such as research, technology transfer, technical assistance and training. More attention must be paid to assuring access of regional organizations and of countries to, and participation in, international and regional networks.

The economic structure of the island countries is dominated by agriculture and fishing, which account for 70% of the workforce and for most of the export earnings. In most of the countries, there is a semi-subsistence mode of production. Extension services tend to be understaffed and underfunded; however, immediately applicable research findings also tend to be missing. Because most of the export crops are also food crops, smallholders frequently use part of their production for consumption and part for sale. For most countries, smallholder agriculture is directly related to the country's basic source of growth. For only a few crops such as rubber and coffee can a distinction be drawn between food crops and export crops. Copra, the major crop, is clearly both. Fruits and vegetables, while primarily grown for consumption, have recently expanded in domestic and export sales. The program therefore sees both domestic and export sales as viable results.

The major on-going agricultural project is a long-term institutional development project that was designed to establish a regional base that

national development programs could rely upon for technical support, manpower training and research. That project, the South Pacific Regional Agricultural Development Project (SPRAD), is now beginning its eighth year of implementation.

Proposed RDO/SP Program

a) Workforce Development

The bulk of RDO/SP assistance in agriculture will be provided for this purpose. Prior program activities have been sufficiently successful that the emphasis under the RDSS will change. New agricultural activities to be designed will focus less on generalized manpower training and more on specific short-term technical and management requirements.

The workforce requirements of the different islands and their research facilities and capacities differ. Proposed activities reflect those differences.

In brief,

(1) Tuvalu and Niue: Most A.I.D. support to this group will be through training and assisting the linkage of these countries to regional and international research networks.

(2) Kiribati and Cook Islands: Workforce training will be complemented by specific research on critical issues and by private enterprise activities. A research network specifically for atolls exists but needs to be expanded and strengthened.

(3) PNG, Solomon Islands and Vanuatu: The major constraint is lack of trained staff and to a larger extent a lack of staff qualified to be trained. The preponderance of funding will be for workforce training and research networking, with an emphasis upon short-term, in-country, job-oriented training.

(4) Tonga, Western Samoa and Fiji: For different reasons, these programs will follow slightly different paths. Fiji has a substantial reservoir of skilled agricultural workforce. Rather severe slashes in budgets due to weak government finances, which are likely to continue for some time, make funding the limiting constraint. When a decision is made regarding resumption of U.S. assistance to Fiji, RDO/SP will discuss agricultural policy issues in order to assess possible support. Assistance will be private sector oriented, probably in the field of agricultural marketing.

(5) In Tonga, training and research networking will be complemented by activities directed towards the improvement of private sector, smallholder agriculture and development of export crops. The proposed activities include vegetable, fruits and spices production and processing.

(6) In Western Samoa, serious policy issues must be resolved prior to undertaking private sector activities. Training and research networking will be the main components until such issues can be resolved.

(7) In Papua New Guinea, officials are trying hard to establish an effective development program, based on decentralizing most implementation activities to the 19 provincial authorities. Immediate assistance would focus on providing management training for provincial authorities, recognizing that a long-range manpower development plan will have to be developed and adopted. The World Bank has worked on two strategies for extension, but neither has been accepted by the government. Extension, in the face of both minimum research availabilities and inhibitions on ability to reach women, will only be a possibility in the out years.

In addition to training under specific projects, there will be two regional training programs. These are:

Workforce training and human resource development: To follow completion of Development Support Training, this project will focus on the key sectors of agriculture, marine resources, health and family planning. Training would be oriented towards short-term specialized courses, workshops and long-term technical training (non-degree).

Business and financial management: This will focus mainly on micro-enterprises (small business) in the agriculture and fisheries sector. This component includes funding of management training seminars in financial management, business management, marketing, quality control, business linkages, training courses and exchanges, and management technical assistance. There will be a core curriculum using consultancies to teach these training modules, as well as training for trainers. It is expected that as identified training candidates show appropriate abilities they will be sent to the U.S. for further training, after the successful completion of which they will assume the role of contractor.

b) Technology Development and Transfer

There are seven bilateral donors and five multilateral donors now active in the ten islands in research on twelve major food crops. Research starts and stops according to donor funding rather than a comprehensive plan. For example, Vanuatu has long been involved with a bilateral donor who provided support for coconut and cocoa research. Those inputs will soon cease. Consideration must be given to continuing the work on these crops because of their importance to Vanuatu and nearly all countries in the South Pacific. To date there has been minimum consultation and coordination among these assorted research efforts. Yet the lack of appropriate technology is cited again and again as a major constraint. By its nature, research is appropriate to a regional approach. The U.S. has extensive experience in this area and may be able to develop a unique and valuable role.

The first step will be a short (two-year) effort to undertake a diagnostic survey of what research is being conducted, where, for what purposes, etc. To

be successful the effort will have to engage other donors, regional and international research centers, private research efforts and national research authorities. Although part of this survey can be carried out through consultants, it will also require extensive staff time on the part of AID/W to support and guide the effort. We envision that part of the process will be a series of workshops to consider the results of the diagnostic survey, and a final output will be a regional research agenda. After the development of that agenda, RDO/SP will be in a position to identify future funding and support activities in this vital field.

Another byproduct of the effort will be to improve the networking that should take place between some of the smaller countries and the big centers. Small island countries and atolls will find it difficult to establish research capabilities.

In the process of conducting a sector analysis in preparation of this RDSS, a number of urgent recommendations were made that will be built into on-going activities by amendment. These include adding a capacity for agricultural economics, farming systems and agricultural marketing to the present project with the University of the South Pacific, School of Agriculture, Institute for Research, Education and Training in Agriculture (IRETA). Positions of Regional Research Coordinator and Agricultural Research Liaison Officer should also be added to reinforce and strengthen collaborative research.

c) Enterprise Development

For the most part the policy environment for private sector activity in the agricultural sector is not antagonistic so much as undecided. A number of governments are supportive of private enterprise, and others have indicated a willingness to be supportive but need help in removing administrative barriers.

Trade and investment assistance will include policy dialogue and reform assistance, specifically technical assistance to evaluate existing policy frameworks (trade policies, investment approvals and incentive systems, tax

regimes, etc.) and the development of appropriate reforms and implementation plans. It also includes assistance related to the divestiture of government enterprises.

The activities will be primarily related to expanding responsible commercial activities in agriculture for indigenous and American investors.

In other countries, activities might include:

1) Fiji:

Land use entrepreneurship activity: Without disturbing traditional land tenure arrangements, technical assistance will be used to develop economically viable alternatives to traditional land leases and thus help overcome perhaps the single greatest constraint to the utilization of the region's natural resources - access to land.

Policy assistance in the preparation of business- related investment and export promotion legislation: While a number of trade and investment policy reforms and initiatives have been discussed and implemented, the government is in need of expertise to draft specific legislation.

2) Papua New Guinea:

Policy dialogue related to improvement of internal procedures and advice on revisions to legislation. This could include financial and technical assistance to identify and research policy issues related to private sector development and to present policy alternatives to the government. Also, it could include investment advisory assistance for local entrepreneurs and U.S. investors. The areas of assistance would be explanation of government regulations and bureaucratic structures, packaging of proposals for financing and government approval, and active solicitation on behalf of PNG entrepreneurs of the U.S. investment community to locate investment, management and technology. The focus would be on agri-business. The factors affecting the priority of projects selected would include potential for creating significant income-generating employment in relation to the resources invested and contribution to export generation.

3) Tonga:

Creation of an equity fund, i.e. capital market development, to make equity investment in new and existing resident companies. The fund would be a profit-maximizing institution, with local investors (including expatriate Tongans) eventually forming its capital base. The investment from emigrant remittances could be substantial. RDO/SP contribution would be through a small-scale investment in the fund (to provide seed money), a risk guarantee and technical assistance to manage the fund. The venture is risky, and the first step would be a feasibility study.

There is currently no independent private market for fresh vegetables. This limits local sales and decreases the return to producers. RDO/SP would assist with seed money to establish a new co-op in this area.

4) Kiribati

Privatization implementation technical assistance and support for micro-enterprises on the outer islands.

5) Solomon Islands:

Land use entrepreneurship program, after it is developed and tested in Fiji, and support for micro-enterprise development.

Benchmarks

In agriculture research the impact will be measured at the project level, since the specific goal is development of a regional research agenda. In broader terms, a qualitative assessment of the agenda will indicate whether identified priority research needs relate to smallholder commercial agriculture and the extent to which increased exports could be related to a research finding. In agri-businsss, measures of strategy impact will be increased employment, sales and export trade. In business and financial management and in workforce training, measures of impact are less clear.

Initially, measures will be at the project level, obtained through questionnaires on relevance of training, extent of use of training, etc. Experience of other ANE Missions will be reviewed in order to develop methods of measuring impact at the strategic goal level.

Other aspects of the program srategy will be measured by strategy percent of trainees in various categories. Other measurements include:

- Number, type and workforce output by gender of various training programs;

- Reduced number of expatriate staff holding senior and mid-management government positions;

- Number of countries which have useable sector plans, drafted and implemented primarily by trained, host-government nationals.

3. Health and Population

As part of the overall strategy, RDO/SP is concerned that substantial efforts need to be made to minimize the negative impact of rapid population growth and ill-health on income. The program will support family planning activities and selected health interventions on both regional and national levels. Recognizing the reality of limited budgets and limited staff, RDO/SP has chosen to concentrate on those few activities where the U.S. has a comparative advantage and where needs are not met by other donors. Health suffers from fewer constraints than other areas. Government policies and practices are not a major issue. Public health education and delivery of health services are areas in which methods and technologies have been well developed. Some opportunities for policy-level intervention, for example, are the environmental implications of medical waste disposal or health cost recovery studies. RDO/SP will be alert to these opportunities and, depending upon the availability of funds, will promote appropriate policy change.

Lack of an appropriate technology is not usually addressed as part of a country health strategy; however, in light of the significance of the impact of malaria on PNG, Solomon Islands and Vanuatu, it is worth noting that a multidonor research effort, funded by S&T, is being conducted in PNG. The research effort is a long-term field test of the effectiveness of malaria vaccines. The two constraints which are most inhibiting are lack of adequately trained workforce and public ignorance of basic health and family planning methods and implications. Approaches to these problems are further complicated by transportation and communication difficulties and, in PNG, difficult terrain. Unsophisticated populations with no tradition of health and hygiene, and in which the status of women is low, represent the most difficult areas in which to work.

RDO/SP Program

The high infant, child and health maternal mortality in Papua New Guinea, Solomon Islands and Vanuatu compounded by a high disease load on populations of all ages presents a severe burden to the productive sectors of these economies. PNG, with approximately 75% of the region's population, has recognized health as a major constraint to rural development, with allocations of 9% - 12% of the their GNP to health, 55% of which goes to rural health. Despite significant improvements to rural health (fall in IMR from 300 plus in the 1960's to an estimated 130 in the mid-1980's), PNG appears to have plateaued in its efforts to improve health. In 1983, most national government functions in health were decentralized to the provinces, but without transferring or providing technical public health or management skills. With sufficient government support to health, the next improvement in health and child survival will come through improvements in management and application of appropriate public health/child survival skills and methodologies at the provincial level.

Although some improvement in child and maternal survival could be obtained by generic child survival programs designed to improve service delivery, it is doubtful that such efforts could be sustained given the weak management and

lack of public health skills at the provincial level. Improved provincial management, likely through assistance to regional support units, a concept already approved by the government of PNG, could bring about significant improvements in the delivery of child survival technologies. Benchmarks would be vaccination rates, training of village midwives, availability of family planning and other child survival services, as well as savings in costs of vaccinations and drugs due to less wastage, if provincial health departments function better.

Such programs would be of interest to other nations, but given the less organized condition of their national health departments and their smaller population base, it would be most appropriate initially to focus on PNG. After experience in PNG, these programs could be phased into other island countries.

Exuberant fertility remains a serious impediment to development throughout the region. While in the larger countries high fertility with its associated rapid population growth has been causing unrest due to lack of services and jobs, in the rest of the region such growth has been controlled, mainly through out-migration to rim countries Australia, New Zealand, the U.S. and Canada. Family planning efforts have mainly been promoted without institutionalizing needed planning and implementation skills in the island countries.

The South Pacific Alliance for Family Health (SPAFH), with its policy of recruiting and training islanders and giving countries strong input into policy and implementation decisions, has in the short time since its establishment won high credibility and entree throughout the region. It is set to catalyze policy development, provide training and increase availability of family planning services (all feasible benchmarks) in several of the biggest countries of the region.

AIDS in the South Pacific

Although the incidence of AIDS in the region is unknown, AIDS is a major concern of health departments and governments in the South Pacific. AIDS cases have been confirmed in Papua New Guinea and Tonga, and several deaths from AIDS documented. Fiji has several unconfirmed cases as well.

As tourism is the foundation of the economies of many of the countries of the South Pacific, and commercial travelling is frequent throughout the rest of the area, governments are anxious to address the problem of AIDS before it becomes too serious and widespread. As the incidence of sexually transmitted diseases (STD's) has been reported as high as 50% in some pre-natal studies in Fiji and PNG, and incidence of bisexualism is also high, it can be assumed that the region is sexually active and that once AIDS is introduced, it will spread very rapidly.

AIDS projects could be executed through regional organizations or through grants to governments, with an initial phase (6-24 months) involving problem assessment and definition in some of the four countries that have already expressed interest in such projects: PNG, Tonga, Solomon Islands and Kiribati. This involves a reconnaissance design survey for each government, followed by surveys to establish baseline incidence of AIDS in the country, perhaps with special focus on high-risk populations. The survey instrument would use the recently developed and inexpensive permeable membrane or similar technology. In-country laboratory capability for processing specimens, including testing of blood and blood products for AIDS prior to transfusion, would be institutionalized.

Phase two (36 months) will concentrate on interpretation of the survey findings and development of a national policy and a prevention plan, including both AIDS awareness and condom promotion (and other techniques for AIDS prevention as appropriate), as well as targeting special high-risk groups.

Phase three (48 months) will involve program implementation, stressing health education and prevention activities. Due to interest and capability, RDO/SP expects PNG and Tonga to move quite rapidly into phase three.

AIDs projects will be tailored to the needs of each country, with special attention to cultural sensitivities. Projects will be as comprehensive as possible and include all three phases. A pilot country will be chosen, both to develop RDO/SP programming capability and to serve as a model for other countries.

C. Other Strategic Concerns

1. Women in Development

The choice and specification of the RDSS program goal place the role of women at the center of the strategy. It will be critical that the followup to the strategy, i.e. the process of project design and development, includes women, preferably with South Pacific experience as well as technical qualifications.

Most of the work on women in development in the South Pacific has been sponsored by the South Pacific Commission and/or by the University of the South Pacific. RDO/SP has provided support to this effort through its SPC multiproject grant. Many of the successful micro-enterprises supported by RDO/SP (vegetable marketing, handicrafts, etc.) have been fully participated in by women. The results of these modest efforts have been incorporated in the body of this RDSS. The status of women does vary among the islands. A rough approximation of women's status can be seen in health and education statistics. In Papua New Guinea, women are not even in charge of their own health, since they need male permission or even escort to consult a doctor.

Research indicates that, with few exceptions, women are not fully participating in the development process in the South Pacific. Participation of women in cash-cropping activities has generally not resulted in the woman receiving the cash. While cash-cropping may displace male participation in food harvesting, the same is not true for women. Household and parental duties are carried out in addition to cash-cropping. These problems are not unique in the South Pacific; the pattern occurs throughout the developing world (and the developed, too).

Even in simple terms, like census data, women disappear. There have to be women heads of households in reality given the patterns of emigration. Yet they do not show up statistically. Census takers, male, assume that widows or unmarried women or abandoned women return to their father's household, or to their brother's or husband's brother's household. And some do. Economically active and independent women are still a minority in the South Pacific. But economic statistics which show that 80% of the population is engaged in the traditional rural economy but, on a gender breakout show that only 10% of the women are economically active, indicate that basic definitional work has yet to be accomplished.

This situation means that donors must be sensitive to the anticipated and unanticipated impact of their projects on women. The first step is to collect economic and financial data on a gender-disaggregated basis. Local tradition and even legislative rules also will be barriers to full participation by women in the modern or traditional economies.

2. Biological Diversity and Tropical Forests

The South Pacific is among the world's most important regions for conserving biological diversity. The two most productive and diverse ecosystems on earth -- tropical rainforests and coral reefs -- dominate the region, making it a global center for the evolution of endemic plants and animals.

The biotas of the region are poorly inventoried and are not well researched. Were these the only problems, then research would be the only solution. However, even less understood is the connection between the conservation of biological diversity and sustainable development. The failure to conserve a few species may lead to the collapse or degradation of an entire ecosystem; and on islands of only a few acres in size, the collapse of a single ecosystem may in fact be the demise of that island, its capability to sustain life and its people. While this scenario may sound melodramatic elsewhere, it is all too real in the South Pacific, as the cases of Banaba and Nauru testify.

The history of these two islands shows that a significant threat to biological diversity exists in this region through the introduction of alien species, population growth and urbanization, deleterious agricultural practices, and the physical impact of industries such as mining, forestry, manufacturing and tourism. The most immediate threat, however, is public ambivalence toward the issue, compounded by the lack of other donor interest in promoting biologically and environmentally appropriate policies and projects.

RDO/SP, however, has always given priority to supporting activities which protect the environment and conserve natural resources. For instance, RDO/SP has supported SPREP (South Pacific Regional Environment Program) since its inception, through the SPC multiproject support grant. That priority is explicitly strengthened in this RDSS, which focuses on development activities that are not only sustainable, but also "enhance conservation and management of the natural resource base." It is not only A.I.D.'s interest that makes it a natural leader in this field. No other donor has the same ability to draw on the technical skills and resources of cooperating domestic institutions as does A.I.D.

One such agency is The Nature Conservancy (TNC), an American NGO dedicated to the protection of ecologically significant areas. In a study on the conservation of biological diversity in this region, TNC identified nine programmatic areas needing attention. In order of priority, these are:

a) Surveys of biota, related resource inventories, and information management;

b) Establishment and strengthening of national institutions for the management of biological diversity and protected areas;

c) Development of public information and secondary school and teachers' college curricular materials for education on the values of biological diversity;

d) Planning and establishment of protected areas;

e) Development and demonstration of alternative approaches to establishment of protected areas on customary lands and waters;

f) Extra-curricular and in-service training of young professionals in biological diversity conservation, including environmental assessment as well as planning and management of protected areas;

g) Development of programs to respond to and correct pollution of coastal areas, especially reef, lagoon and mangrove areas;

h) Basic research to identify endemic, rare and/or threatened taxa and ecosystems; and

i) Legislation.

While financing all of the above is beyond the resources of A.I.D., the RDO/SP will be supporting selected biological diversity activities in several ways:

a) as part of its overall goal, ensuring that agricultural and marine development activities are designed to minimize any threat to biological diversity and maximize resource conservation;

b) strengthening its relationship with SPREP and seeking to have conservation of biological diversity given a greater priority in the programmatic activities of SPREP;

c) supporting the systematic collection and management of information relating to biological diversity;

d) supporting activities which increase the awareness in island communities of the long-term importance of this issue and its relationship to economic development; and

e) supporting activities which increase the capacity and commitment of island governments in the conservation of biological diversity.

In the end, RDO/SP interest in biological diversity is action oriented; it will not be involved in programs of information for information's sake. Instead RDO/SP will support activities which strengthen attitudes and demonstrate the economic utility of biodiversity. At the heart of this approach is the need to make people aware of the inescapable link between resource conservation and development and demonstrate its economic value, before they can be expected to undertake any serious efforts in this field. Once people understand that allowing a plant or animal to become extinct before its potential for human use is explored is like throwing a lottery ticket away before the drawing, then the conservation of biological diversity will become common practice.

RDO/SP treats this issue as more than a legislatively-mandated requirement, by considering it part and parcel of its overall developmental goal. As activities in support of this strategy are tested over the RDSS period, resource conservation and management may evolve to become the major theme of RDO/SP's work in the 1990's and beyond.

Tropical Rainforest

Extensive areas of tropical rainforest exist in the South Pacific region, especially in the Melanesian countries.

Country	Forested Area (Sq. Miles)	% of Land Area
PNG	160,000	86
Fiji	4,800	65
Solomon Islands	10,000	90
Vanuatu	3,488	73

In each of these countries, logs and timber are major exports, and the conservation of tropical rainforests is a major concern.

Priority needs in the conservation of tropical rainforest include improving information available on forest resources, agro-forestry systems and

land use systems, and strengthening the capabilities of governments in forest management. These aspects receive some attention from the regional environment program (SPREP), although not a major focus of their work. FAO will shortly establish a regional forestry development program, which will address these issues within its work program. The issues related to tropical rainforest exploitation and management are complex and have major economic, political and social implications, especially in Melanesia. RDO/SP assistance in the area of tropical rainforest management will be concentrated on activities related to the protection of the biological diversity of tropical rainforest ecosystems as discussed above.

3. Peace Corps Collaboration

The Peace Corps has 340 volunteers (PCV's) serving in eight of the ten countries covered by RDO/SP. The Peace Corps is negotiating with Vanuatu for placement of volunteers. A.I.D. and the Peace Corps have collaborated closely since 1979 under the RDO/SP Accelerated Impact Program (AIP); that collaboration will be replaced with the initiation of a Small Project Assistance Program (SPA) in FY 1988.

The SPA program will continue collaboration for small projects, but shift its general management from RDO/SP to individual PC country directors. Implementation of the SPA program will be by way of tripartite agreements among a host country, the respective PC country director and the RDO/SP Regional Director, both to obligate funds and to underline the government-to-government nature of SPA assistance. The SPA program will use approximately $320,000 annually, divided among the PC Directors based on their requests.

4. PVO Collaboration

The mission's current PVO Co-Financing project will continue to assist the development programs of U.S. and indigenous PVO's through FY 1989.

Thereafter, beginning in FY 1990, RDO/SP will enter a new mode of collaboration. Funding previously provided from the PVO Co-Financing project will be supplanted by funding from mission projects. The collaboration will move to a more focused, technical level in which the PVO grantee brings specific technical expertise into the implementation of a mission project. RDO/SP anticipates that this mode will entail relationships with perhaps three to five PVOs working with fewer, but larger, RDO/SP grants. Moreover, RDO/SP fully expects these relationships to be long term, the PVOs own Pacific involvement growing along with the RDO/SP strategy and program.

There are several PVOs already carrying out programs which support the objectives of this strategy. In Tonga, for example, Agricultural Cooperatives Development International (ACDI) and the Foundation for the Peoples of the South Pacific (FSP) support highly successful local fish, agricultural products and handicrafts marketing cooperatives. FSP is also involved in successful fisheries projects in Tonga and Papua New Guinea. Save the Children has introduced a local boat-building enterprise in Tuvalu. The South Pacific Association for Family Health (SPAFH) an indigenous PVO, could play an increasingly important role in the program as a means of addressing population policy and family planning issues throughout the region. The Mission will integrate PVO efforts such as these into the new program.

5. Regional Organizations

Regional organizations may become funding vehicles if they appear to be the most effective means of reaching goals and implementing strategy. Regional organizations sometimes allow for economies of scale (e.g. data collection and analysis on common themes) or address constraints which cannot be dealt with as effectively on a country-by-country basis (e.g., quarantine regulation).

The South Pacific Alliance for Family Health (SPAFH), an indigenous regional family planning and health training PVO based in Tonga, has proven that it can work effectively with interested governments on a range of population questions.

The Forum Fisheries Agency (FFA) serves as the region's primary agency for managing fisheries resources and is A.I.D.'s counterpart institution for the Economic Support Fund (ESF)-funded Fisheries Treaty Support Program.

The South Pacific Commission (SPC) is a non-political technical assistance agency which provides member countries with advice, training, assistance and social, economic and cultural data. It was established in 1947 by the metropolitan powers to discuss common questions regarding their territories in the region. SPC is the only regional institution of which the United States is a member. THe U.S. core budget contribution, some 16.8% of the annual budget, now amounts to $800,000 per year. In addition to this contribtuion A.I.D. provides $500,000 per year within the context of a five-year SPC Multi-Project Support Project (879-0006).

The South Pacific Forum is the annual gathering of heads of states of the South Pacific countries. The South Pacific Forum member states are now seeking to sharpen their focus on economic questions of regional interest through the Forum's secretariat, the South Pacific Bureau for Economic Cooperation.

An economic policy agenda for the Bureau for Economic Cooperation might include questions of privatization and private sector development promotion, fiscal and monetary policy questions, terms of commercial concessions and exchange rate policies, as well as trade and investment ideas. The Forum secretariat's changing role is an opportunity, for the first time, to engage the governments of the region in a discussion of important economic development concerns. This institution presents a focal point for donor discussions on regional aid issues.

The South Pacific Bureau for Economic Cooperation also has its drawbacks. It has not demonstrated the capability to orchestrate a regional aid dialogue. It also lacks the comprehensive regional membership and array of specialized technical expertise represented at the South Pacific Commission (SPC). A.I.D. should seek, under these circumstances, to attain several objectives:

- to preserve SPC's role as the region's most comprehensive institution for technical assistance, training and data collection and analysis;

- to engage the Bureau for Economic Cooperation in a dialogue on regional economic issues; and

- to increase the Bureau for Economic Cooperation's capability to assist member governments to consider important economic policy measures in areas such as controlling trade barrier and currency regimes, investment promotion and fiscal policies, as well as specific sectoral issues.

A.I.D. could respond to these objectives by providing a macroeconomist to assist technical experts and to help assess issues to raise and discuss at the annual Meetings of the South Pacific Forum and at more technical gatherings. The presence of a U.S. economist at the Bureau for Economic Cooperation would also facilitate A.I.D. access to the institution, which might evolve into formal U.S. participation in the Bureau, or in a related economic policy or donor coordination body.

6. Disaster Preparedness

The island countries are extremely vulnerable to natural disasters. A survey of the impact of disaster, supported by A.I.D., reported that 286 major storms and hurricanes struck the 11 independent and freely associated states of the region between 1900 and 1982, or about three per year. PNG experienced 11 major volcanic eruptions during the same period, two of which destroyed the provincial capital of Rabaul. Frost and drought have had a serious impact on agriculture in Fiji, Kiribati, Niue, PNG, Tonga and Tuvalu, and 16 major tsunamis have struck five countries in the region.

Island governments have recognized the need for disaster preparedness planning and alleviation of disasters. Most countries have a national disaster response plan, regional tsunami and storm-warning systems are in place, and government officials have developed a degree of expertise in disaster preparedness.

However, tropical storms and floods continue to wreak havoc every year, and the threat of a major volcanic eruption or tsumane in the region remains. Moreover, urbanization, cash crop and timber development and the construction of new infastructure in coastal areas are increasing the cost of natural disasters. There is a need, therefore, to build on the expertise that has been developed in the islands to increase disaster preparedness and mitigation systems.

A Disaster Preparedness Advisor is proposed to work with mission staff on a regular basis to identify opportunities for using development assistance to increase the preparedness of regional governments. For example, PNG has developed a national disaster plan which requires that the 19 provincial governments develop their own disaster preparedness and operations capability. It is likely that PNG officials would be interested in a project that builds the capability of provincial governments to plan for and manage disaster response.

7. Private Enterprise

Throughout the paper are references to private enterprise activities that will be developed, primarily in agriculture and marine resources. To assist in identifying those components of the South Pacific strategy, a consolidated and indicative outline follows:

a. Objective:

The objective of the private sector efforts will be:

(1) To make fuller but appropriate use of the region's comparative advantages by expanding indigenous private enterprise and promoting foreign investment. (This will be measured in terms of development of natural resources; increase in local value-added in exports; growth of private enterprise; and increases in foreign investment and privatization.);

(2) To increase foreign exchange earnings. (The measurements will include increments of foreign exchange earned via exports, tourism and sales, and increases in local value-added); and

(3) To expand levels of income-generating employment. (The measurements will include increases in employment and job opportunities in the private sector; and new income opportunities in subsistence areas.)

b. Strategy:

The strategy includes two components to be implemented primarily in agriculture and marine resources. The two components are business management training and assistance, and trade and investment assistance.

The business management training and assistance will focus micro-enterprises in the agriculture and fisheries sector; seminars as appropriate in financial management, business management, marketing, quality control, business linkages; core curriculum; training for trainers, who eventually assume lead role; and business advisory and extension services.

Trade and investment assistance will consist of the following elements, by country:

Fiji:	Land use entrepreneurship activity (agriculture and fisheries linkages); policy assistance on investment and export promotion legislation.
PNG:	Policy dialogue; investment advisory assistance (agriculture and fisheries linkages).
Tonga:	Capital market development (equity fund study); fresh vegetable marketing.
Kiribati:	Privatization technical assistance; micro-enterprise program.
Solomon Islands:	Land use entrepreneurship; micro-enterprise assistance.

IV. RESOURCES

A. Other Donors

The attached tables set out aid data by recipient country and sector. Total aid levels over the period 1980-1988 have been relatively steady in money terms, ranging in most years between $470 million and $520 million. See attached Table IV.1. With inflation and population growth, real per capita aid levels have been slowly declining, but they are still high by world standards. The data on total aid flows is heavily influenced by Australian budgetary aid to PNG of over $200 million annually.

Of the other major bilateral donors:

Australia and New Zealand have bilateral programs in all ten RDO/SP recipient countries. Their programs have tended to decline in U.S. dollar values as their currencies have weakened. Japan, the second largest donor, is increasing its assistance. Japanese assistance has been characterized by grants for capital projects to almost all the island states, but with relatively small levels of assistance to PNG.

British aid has been declining, is heavily concentrated in its former territories (Fiji, Kiribati, Solomon Islands, Tuvalu and Vanuatu) and is substantially directed towards technical assistance and training. French aid was until recently restricted almost entirely to support for French territories, but is now being broadened. The European Commission provides assistance to eight African, Caribbean and Pacific (ACP) Group member states through the Lome Convention.

Lending by the World Bank and the Asian Development Bank has been largely limited to Fiji and PNG.

Across the region, project assistance has been directed towards providing capital and long-term technical assistance for public service activities such

as transport and communications, health and education, and energy. Around 15% - 20% of aid is allocated for projects in primary production - agriculture, forestry and fisheries. See attached Table IV.2.

In terms of the major areas of RDO/SP activity in this RDSS:

Total aid for marine resources across the region has been relatively low. No other major bilateral donor has been significantly involved in PNG or Cook Islands. Fisheries aid to Fiji and Tonga has been dominated by a few large capital development projects funded by Japan and the EEC. Other donors are significantly involved in marine resources projects in Kiribati, but with projects aimed at increasing fishing activity rather than improving resource management and conservation.

In health, no other major bilateral donor is systematically involved in health activities in PNG, where the RDO/SP program will be concentrated. WHO provides long-term technical assistance to PNG. In family planning and population policy RDO/SP will continue to be the leading donor.

In agriculture, a large number of other donors are involved in a wide range of activities. In response, RDO/SP proposes to take a lead in developing a region-wide, multi-donor research agenda which will both guide RDO/SP funding for agricultural research and also seek to improve the effectiveness of other donor programs in the sector.

A basic principle of this RDSS is that RDO/SP should be working in areas where A.I.D. can intensify the impact of its activities by providing intellectual leadership and unique expertise and influencing other donors. Commitments to natural resource conservation (especially the protection of biological diversity), private sector development as a basis for growth, and the role of women in development are areas where RDO/SP plans to direct that influence. Donor co-ordination then will be important to RDO/SP strategy, not just for ensuring that the design and implementation of RDO/SP activities are harmonized with other donors, but also as a vehicle for attracting greater donor attention to these issues.

B. U.S. Resources

Over FY 1990-FY 1994, RDO/SP anticipates that $101 million, or just over $20 million annually, will be available for development in the ten countries. This estimate is based primarily on the AAPL guidance for the RDSS (contained in State 160269 of May 18, 1988). The total includes $1.5 million annually for centrally funded assistance to, for example, AIDS awareness, disaster relief, population programming and agriculture/marine resources support. Sources of funds include annual levels of $8.0 million for development assistance. ESF funding will drop in FY 1993 with the expiration of the Regional Fisheries Treaty. PL480 resources are not planned. Sources of funds are summarized in attached Table IV.4.

Planned uses of funds are summarized in part B. of the attached Table IV.4. The planned uses reflect mission concentration on increasing income opportunities through means which enhance the conservation and management of natural resouces. The technical areas of concentration are Agriculture, Marine Resources and Health. RDO/SP is not involved in the programming of the $18.4 million in cash transfer under the Fisheries Treaty, although those funds are to be used for economic and social development projects.

Table IV.5 makes an indicative distribution of total funds available over the FY 1990 - FY 1994 plan period among the ten countries and regional organizations. Omitted from the total is the anticipated $7.5 million of central funding, for which allocation among countries is not yet possible. Papua New Guinea is expected to receive the largest relative share, some 48% of funding. Kiribati and Tonga, numbers 6. and 7. respectively in the Table, receive relatively larger estimates of funding because of their anticipated greater participation in conservation and marine resources programs.

C. Management and Staff (OE)

The RDO/SP office in Suva is currently staffed with five USDH and 20 PSC's (three U.S., two TCN and 15 FSN). The USDH include the regional director, controller, program officer, agricultural development officer and project

development officer. There is one additional USDH position approved for PNG which will be filled in early FY 1989. The addition of the controller to the Suva office is a welcome and long-recommended relief to RDO/SP's financial operations. The addition of one or two FSN accountants and a voucher examiner will round out the controller's shop.

As the mission moves toward a more focused program — operating in a limited number of sectors and using fewer implementing mechanisms -- the need for technical expertise in the selected sectors increases. While the current staff configuration allows for USDH's or professional PSC's to provide this expertise, their time for such is often diverted by the need to fulfil all administrative functions associated with project design and implementation.

Consequently, RDO/SP is adding FSN/PSC assistants to each of the major project offices in Suva (private enterprise, fisheries, health and training). See attached Table IV.6.

As RDO/SP focuses its efforts on fewer, more economically sound activities, it must produce better and more penetrating economic analysis. In order for RDO/SP to perform this task, a USDH macroeconomist should be added to the Program Office staff. With an economist fulfilling the above duties, the Program Officer will be able to play a stronger and more substantive role in important program management functions, such as evaluation and donor coordination.

Inasmuch as this RDSS marks the move away from small, scattered assistance primarily given to the relatively well-off countries and toward a more focused, developmentally oriented program, it is only appropriate that an official A.I.D. presence be etablished in PNG. It is conceivable that as the Polynesian countries continue to achieve developmental successes and A.I.D. resources become more concentrated on Melanesia, someday the entire RDO/SP office should be relocated to Port Moresby. Now, insufficient airline connections, high cost of living and continuing needs throughout the region make this impractical; however, this option will be reviewed before the next RDSS.

What cannot be overemphasized when discussing management constraints and options in the South Pacific is the fact that the RDO/SP deals with ten separate and sovereign nations. Internal attempts to lump the countries in various categories (Melanesian/Polynesian, big/small, resource rich/poor) are for administrative convenience only; however, when it comes to designing, negotiating, implementing or evaluating activities, the individual governments of each of these nations must be consulted. Even simple tasks, e.g. responding to A.I.D./W requests for field data, are multiplied ten-fold as statistics must be gathered from ten capitals, scattered across thousands of miles of ocean. Therefore, while the ratio of staff to overall budget may seem high, the ratio of staff to programming requirements (times ten countries) is indeed minimal.

Bilateral Agreements

RDO/SP anticipates the signing of bilateral assistance agreements with two or three island countries. As a matter of operational necessity, because of A.I.D. presence incountry and the relatively larger size of their assistance programs, bilateral agreements are anticipated for Fiji (with the lifting of the current A.I.D. assistance suspension) and for PNG (sometime after establishment of the RDO/SP branch office in Port Moresby early in FY 1989). Additional agreement may be called for in the Solomon Islands where informal discussions have taken place. Bilateral agreements would follow the form of bilateral agreements used by A.I.D. elsewhere in the world.

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IV.5 RDO/SP Planning Levels, FY1990-1994 by Country, by Source

IV.6 RDO/SP Staffing

TABLE I.1: BASIC HUMAN AND PHYSICAL RESOURCES

Country	Population (1985)	% Rural	Annual Growth Rate	Land area	Sea area	No. of islands	No. of inhabited islands	No. of urban centers	Predominant Geology	No. of Ecosystem	Adult Literacy Rate	Life Expectancy	% Population (0-14)
	(000)		(% pa)	(sq.ml)	(sq.ml)								
PNG	3,320,700	87	2.1	184,676	1,240,000	100	N/A	7	Volcanic	97	32	50	43
Fiji	700,500	40	2.0	7,310	480,000	332	100	2	Volcanic	41	79	63	41
Solomon Is.	272,500	90	3.5	11,022	520,000	N/A	21	1	Volcanic	44	13	54	48
W. Samoa	160,000	72	0.6	1,174	116,000	7	4	1	Volcanic	54	98	63	45
Vanuatu	135,600	86	3.3	4,752	272,000	80	70	2	Volcanic	42	-	55	46
Tonga	94,400	70	0.3	280	280,000	171	36	3	Coral	29	93	63	44
Kiribati	64,000	65	2.0	276	1,420,000	33	23	1	Atoll	18	90	53	39
Cook Is.	17,600	46	-0.3	96	732,000	15	12	1	Mixed	24	75	67	43
Tuvalu	8,600	68	2.8	10	351,000	9	9	1	Atoll	16	-	59	32
Niue	2,900	100	-2.6	104	156,000	1	1	-	Coral	21	-	67	46

Source: South Pacific Economies: Statistical Summary, May 1987, South Pacific Commission.

TABLE I.2: SELECTED ECONOMIC DATA

Country	GDP	GDP Per Capita (Year)	Exports	Imports	Balance	Total Aid (1984)	Aid Per Capita	Relation to GDP (a)	Relation to Government Expenditures
	($m)	($)		($m, 1984)		($m)	($)	(%)	(%)
PNG	2380.3	717 (1985)	896.7	974.4	-77.7	321.8	99	13	38
Fiji	1022.8	1460 (1985)	250.6	451.1	-200.5	31.3	46	3	9
Solomon Is.	159.6	632 (1983)	94.0	66.5	+27.5	19.4	74	18	29
W. Samoa	113.3	717 (1983)	20.2	39.2	-19.0	20.2	127	20	N/A
Vanuatu	79.6	667 (1982)	44.0	68.5	-24.5	24.5	192	34	77
Tonga	81.0	849 (1983)	9.1	40.6	-31.5	15.7	160	23	82
Kiribati	27.7	444 (1984)	11.0	18.4	-7.4	11.9	191	43	56
Cook Is.	19.8	1108 (1980)	3.7	20.8	-17.1	8.1	460	41	40
Tuvalu	3.4	325 (1985)	1.2	3.4	-2.2	5.5	647	118	119
Niue	4.1	1394 (1983)	0.1	2.4	-2.3	3.2	1104	84	69

Source: South Pacific Economies: Statistical Summaries, May 1987, South Pacific Commission
Data obtained from time series over different periods and using 8 different currencies with floating exchange rates. Should be used for indications of general magnitude and inter-island comparison.

(a) For the same years as GDP per capita

TABLE I.3 COMPARATIVE POTENTIAL

	Natural Resources (Land)	Natural Resources (Marine Resources)	Human Resources (Education/ Health)	Past Economic Performance (GDP growth rates)	Potential Based on Economic Policies
PNG	H	H	L	M	H
Fiji*	H	H	H	H	H
Solomon Is.	H	H	L	H	M
W. Samoa	M	L	H	L	L
Vanuatu	H	M	L	M	M
Tonga	M	M	H	H	H
Kiribati	L	H	M	L	M
Cook Is.	L	H	M	M	M
Tuvalu	L	M	M	L	M
Niue	L	L	M	L	M

H = High

M = Medium

L = Low

*Political uncertainty following two coups in 1987 (May and September) has unfortunately undermined past performance and cast doubt on future development.

TABLE I.4: PNG INCOME INDICATORS

Province /a	Population /b			Income		
	Population	annual population growth 1980-2000	urban	Per Capita income (1983)	Per capita income growth	Formal employment /e (1980)
	(000)	(% p.a.)	%	(Kina)	/b	%
Nat'l Capital District	112.4	3.9	100	2,115	178 /d	45
North Solomons	125.5	3.4	16	1,973	218	20
East New Britain	130.7	2.7	12	770	114	18
Western	78.3	2.6	12	673	329	6
New Ireland	65.7	2.6	8	534	141	15
Central	116.4	2.1	4	528	178 /d	10
West New Britain	88.4	4.9	6	483	60	15
Morobe	305.4	2.6	22	473	84	12
Manus	25.9	2.6	20	416	55	13
Northern/Oro	77.1	2.6	8	413	161	10
Madang	209.7	2.6	10	387	110	8
Western Highlands	264.1	2.1	6	337	70 /d	11
East Sepik	220.8	2.3	11	320	96	5
Eastern Highlands	274.6	1.8	8	290	58	5
Milne Bay	127.7	2.7	5	280	85	5
Enga	164.3	1.3	1	267	70 /d	3
Chimbu	178.0	0.7	3	264	86	3
Southern Highlands	235.4	1.5	2	256	90	4
West Sepik	113.8	1.9	6	255	55	5
Gulf	63.8	1.8	10	198	29	6
Total/Average	2,978.1	2.3	12	520	124	10

/a Provinces, listed here in order of per capita income, have been divided into 5 groups, each representing approximately one quintile of the total population.
/b 1980 estimates.
/c Percentage growth in per capita income (at factor cost) in nominal terms between 1971/72 and 1983.
/d In 1971/72, both Central/NCD and Enga/Western Highlands were combined.
/e Percent of economically active population.

Source: World Bank (Report No. 7121-PNG, April 19, 1988).

TABLE II.1: FOREIGN RESERVES AND CURRENT ACCOUNT BALANCES

	1982	1983	1984	1985	1986
Papua New Guinea					
International Reserves($m)	480	463	453	463	610
Ratio of Reserves/Imports(months)	6	6	6	6	8
Current Account Balance($m)	-489	-371	-324	-	-
Fiji					
International Reserves($m)	132	120	120	134	174
Ratio of Reserves/Imports(months)	3.6	3.4	3.4	3.7	4.8
Current Account Balance($m)	-90	-64	-27	-8	-
Solomon Islands					
International Reserves($m)	37	47	61	37	31
Ratio of Reserves/Imports(months)	8	9	11	6	-
Current Account Balance($m)	-12	-6	6	-18	-
Western Samoa					
International Reserves($m)	3	7	11	14	24
Ratio of Reserves/Imports(months)	.8	1.8	2.9	3.4	-
Current Account Balance($m)	-7	4	1	2	-
Vanuatu					
International Reserves($m)	6	7	11	-	21
Ratio of Reserves/Imports(months)	1	2	2	2	4
Current Account Balance($m)	12	13	29	-	-
Tonga					
International Reserves($m)	16	15	19	18	17
Ratio of Reserves/Imports(months)	5	5	7	8	-
Current Account Balance($m)	3	-9	-3	-2	-
Kiribati					
International Reserves($m)	80	87	74	94	-
Ratio of Reserves/Imports(months)	42	58	42	-	-
Current Account Balance($m)	-6	2	6	-	-

TABLE II.2 GOVERNMENT REVENUE BY SOURCE
TAXES VERSUS BUDGETARY AID FROM 1984 - 1985

Country	1984		1985	
	Taxes	Aid	Taxes	Aid
A. MOSTLY AID REVENUE				
Niue	35.3	64.7	37.3	62.7
B. PARTLY AID REVENUE				
Tuvalu	36.8	38.2	34/0	36/6
Cook Islands	46.1	36.5	49.4	34.0
Papua New Guinea	52.9	31.5	52.1	30.6
Kiribati	42.6	17.0	45.0	13.5
C. WHOLLY TAX REVENUE				
Fiji	100.0	0.0	100.0	0.0
Tonga	100.0	0.0	100.0	0.0
Western Samoa	100.0	0.0	100.0	0.0
Solomon Islands	100.0	0.0	n/a	n/

Source: South Pacific Economies Statistical Summaries, May 1987, South Pacific Commission.

TABLE II.3: DAILY PER CAPITA PROTEIN AND CALORIE SUPPLIES

Country	Protein Supplies 1970	Protein Supplies 1985	Calorie Supplies 1970	Calorie Supplies 1985
	(grams per day)		(calories per day)	
Papua New Guinea	46	44	2200	2140
Fiji	50	56	2390	2890
Solomon Islands	41	54	2130	2020
Western Samoa	53	58(a)	2100	2300
Vanuatu	62	63	2430	2290
Tonga	41	73	2540	2840
Kiribati	37	67	1940	2520
Cook Islands	--	--	--	--
Tuvalu	--	--	--	--
Niue	--	--	--	--
Low Income Economies (c)			2046(b)	2339
China and India			2061(b)	2428
Other Low Income Economies			1997(b)	2073
Middle Income Economies (d)			2357(b)	2731

(a) 1980
(b) 1965
(c) 1985 GNP per capita US$400 or less
(d) 1985 GNP per capita US$401 or more, but excluding oil exporters industrial market economies and non-reporting member countries of the World Bank.

Source: (1) Pacific Island Data
(2) Other Data: World Development Report 1987, World Bank. Table 30.

Note: Statistics on % population with FAO critical caloric intake not available.

TABLE II.4
SOUTH PACIFIC HEALTH STATUS INDICATORS
COMPARED TO A.I.D. MINIMUM STANDARDS

Country	Infant Mortality1/	Child Mort. (ages 1-4)2/	Life Expectancy1/
(per/1000)	(per/1000)	(years)	
PNG	72 3/	11.5	50
Vanuatu	94	11.8	55
Kiribati	93	15.5	52
Solomons	53	11.5	54
A.I.D. MINIMUM	75	10	60
Tuvalu	43	9.4	59
Tonga	41	7.5	63
W. Samoa	33	4.6	63
Fiji	33	2.4	63
Cook Is.	29	2.2	67
Niue	11	0.8	67

1/ South Pacific Economies Statistical Summaries, May 1987. South Pacific Commission,

2/ SPC, Information Circular No. 96, December 1986.

3/ The infant mortality rate for PNG in particular is thought by most public health experts as substantially underestimating the true rate. There is probably a strong tendency to under report neonatal (as well as maternal) mortality because of traditional prohibitions against contact with women during menstruation and childbirth in many rural areas. The actual rate may be as high as 130/1000, according to several A.I.D. and other donor sources.

TABLE II.5: EDUCATION STATISTICS

Country	Proportion (%) of Population of School Age (5-19 years)[1]			Primary School Enrollment[2]	Adult Literacy[2]
	Not Attending	Primary	Secondary		
PNG	67	29	4	65	32
Fiji	30	54	13	109	79
Solomon Islands	45	53	2	60	13
Western Samoa	18	61	20	80	-
Vanuatu	42	49	9	-	-
Tonga	19	48	32	77	93
Kiribati	37	55	8	100	90
Cook Islands	-	-	-	98	75
Tuvalu	42	48	10	-	-
Niue	-	-	-	-	-

Source: [1] South Pacific Economies: Statistical Summaries May 1987, South Pacific Commission

[2] Asian Development Bank. "Key Indicators of Developing Member Countries of ADB" July 1987.

TABLE II. 6: POPULATION PRESSURES

Country	Annual Growth Rate[1]	Total Fertility Rate[1]	Contraceptive Use[2]	Contraceptive Use[3]
	(% p.a.)			
PNG	2.04	5.4	2.6	4.0
Fiji	1.99	4.0	28	26.8
Solomon Is.	3.43	7.3	N/A	-
Western Samoa	0.63*	4.9	N/A	12
Vanuatu	3.28	6.5	16-34	-
Tonga	0.28	4.9	30.2	39.3
Kiribati	2.00	4.9	N/A	-
Cook Islands	-0.34*	5.2	21-30	-
Tuvalu	2.74	2.8	29	31.7
Niue	-2.58*	4.3	N/A	-

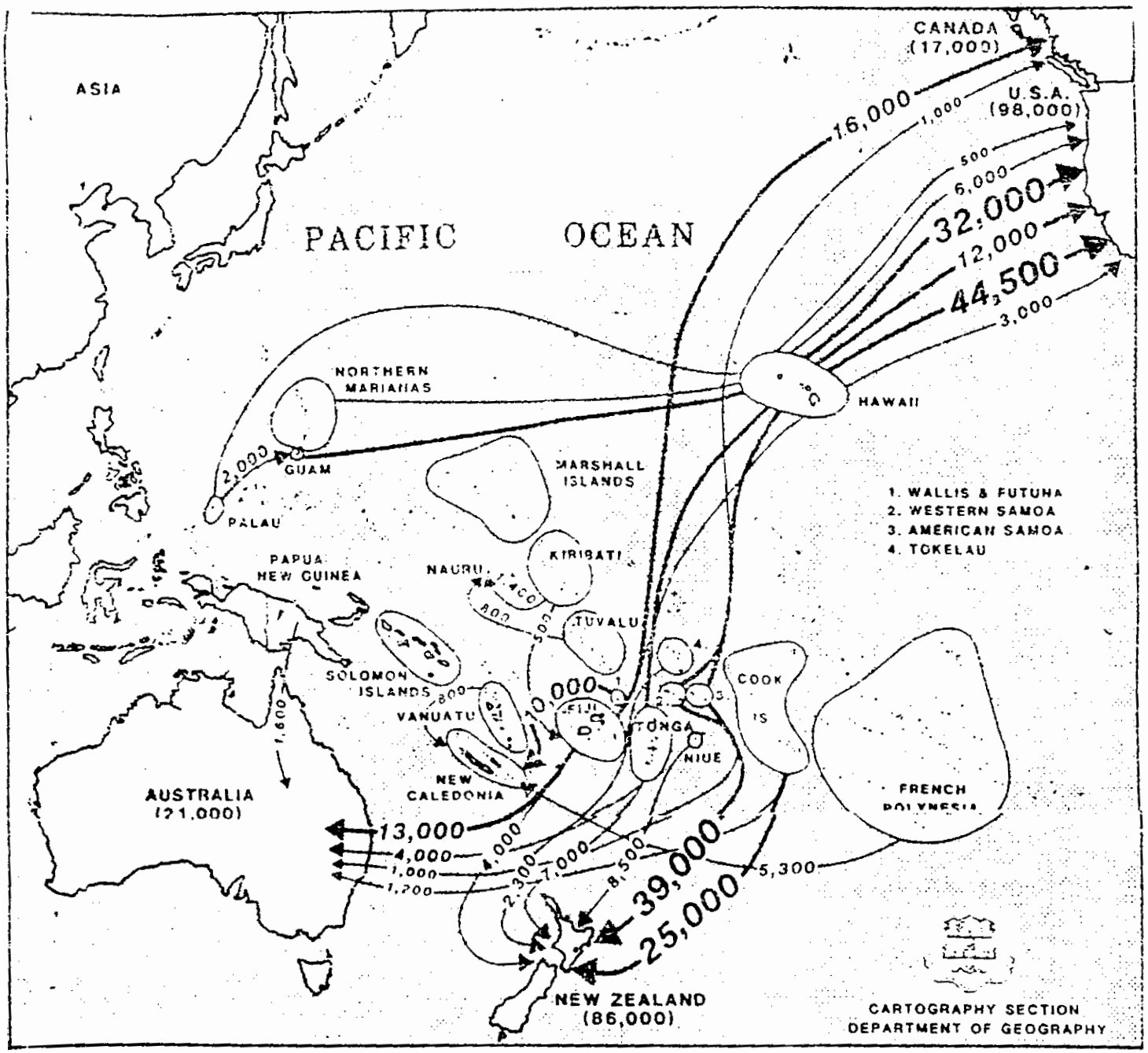
(1) South Pacific Economies Statistical Summaries, May 1987, South Pacific Commission

(2) "Background paper on the HPN Sector of 10 Independent Nations of the South Pacific," Terrence Hull, December 1987. Statistic notes prevalence of contraceptive use by couples of the reproductive age groups (percentages).

(3) Ministry of Health Statistics (except PNG, from UNICEF 1988)

*Hull reports significantly different figures; Cook Islands, 1.6; Niue, -4.3; Western Samoa, 2.1

SOUTH PACIFIC MIGRATION PATTERNS*



A map showing migration patterns from the South Pacific islands over the past 20 years

*Sydney University Cartography Department.

TABLE II.8.

SOUTH PACIFIC CROPS AND KNOWN CONSTRAINTS

A. Major crops - traditional

1. Taro Colocasia - taro

Non-sustainable cropping systems, weed, labor, seasonal production, shortage of planting material, post-harvest quality decline, low yields, long cooking time. Phythium, mosaic, phytophthora (Solomon Is., PNG, Guam, Hawaii); lethal virus (Solomon Is., PNG); Papuana beetle (Solomon Is., Vanuatu, PNG, Kiribati, Fiji).

2. Cocoa

Unimproved cultivars and management systems (Western Samoa, Solomon Is.). (IRCC in Santo, Vanuatu is conducting quality research which should be regionally available), quality control, world prices. Rose beetle, black pod, pink disease.

3. Coconut

The most important food for the small farm family in the South Pacific. Average consumption is 15 nuts/day. Although the coconut is the most durable plant once established, and copra is the main export crop of all atolls and most resistant to storm, salt, drought, coconut plantations are becoming low yielding because of senility and replantings by governments are not being maintained and therefore are failing. Low price for copra is often stated as cause of farmer disinterest.

Major constraint is villagers' attitude toward replanting, maintaining, harvesting, etc.

Pests are rhinoceros beetle, stick insect, hispine beetle, rats.

4. Dioscorca - yams

Constraints are non-sustainable cropping systems, weeds, labor (planting, staking, harvesting), shortage of planting materials, storage losses, nematodes, rose beetle, anthracnose.

5. Breadfruit

Constraints are seasonal production, phytophora, scale.

6. Crytosporita - swamp taro, babai

Main constraints are pit/swamp space, long maturity, labor, shortage of organic matter for pit culture, acridity, Papuana beetle.

C. Other crops

Important in a few but not all countries. Vanilla, sugar (Fiji); pineapple, sago coffee (Vanuatu, PNG); oil palm, ginger, papaya, mango, citrus, pandanus (atolls); rice (Fiji); cassava (Fiji, PNG).

D. Vegetables

Vegetables are being encouraged in a number of nutrition/area development/subsistence agriculture projects. On the atolls, family vegetable gardens are very important for the nutritional well-being of the family because very few fresh vegetables are available in the market. Movement from areas of surplus production (islet to islet) to areas of deficient production does not happen because of lack of transport and lack of storage facilities.

Tomato, pepper, eggplant, cucurbits. Constrints are bacterial wilt, spider mites, fruit cracking, fruit set.

Bele, edible hibiscus. Constraints are scale, leaf roller, weevil.

Bulb onions. Constraints are adaption to day length, high temperature, and humidity.

Constraints for all vegetables are labor, water, weed control, nematodes, transport to market, source of seed, and research. There is no coordinated research strategy such as scientific varietal testing and breeding but rather donor organization personnel using trial and error methods with seed generally from temperate sources.

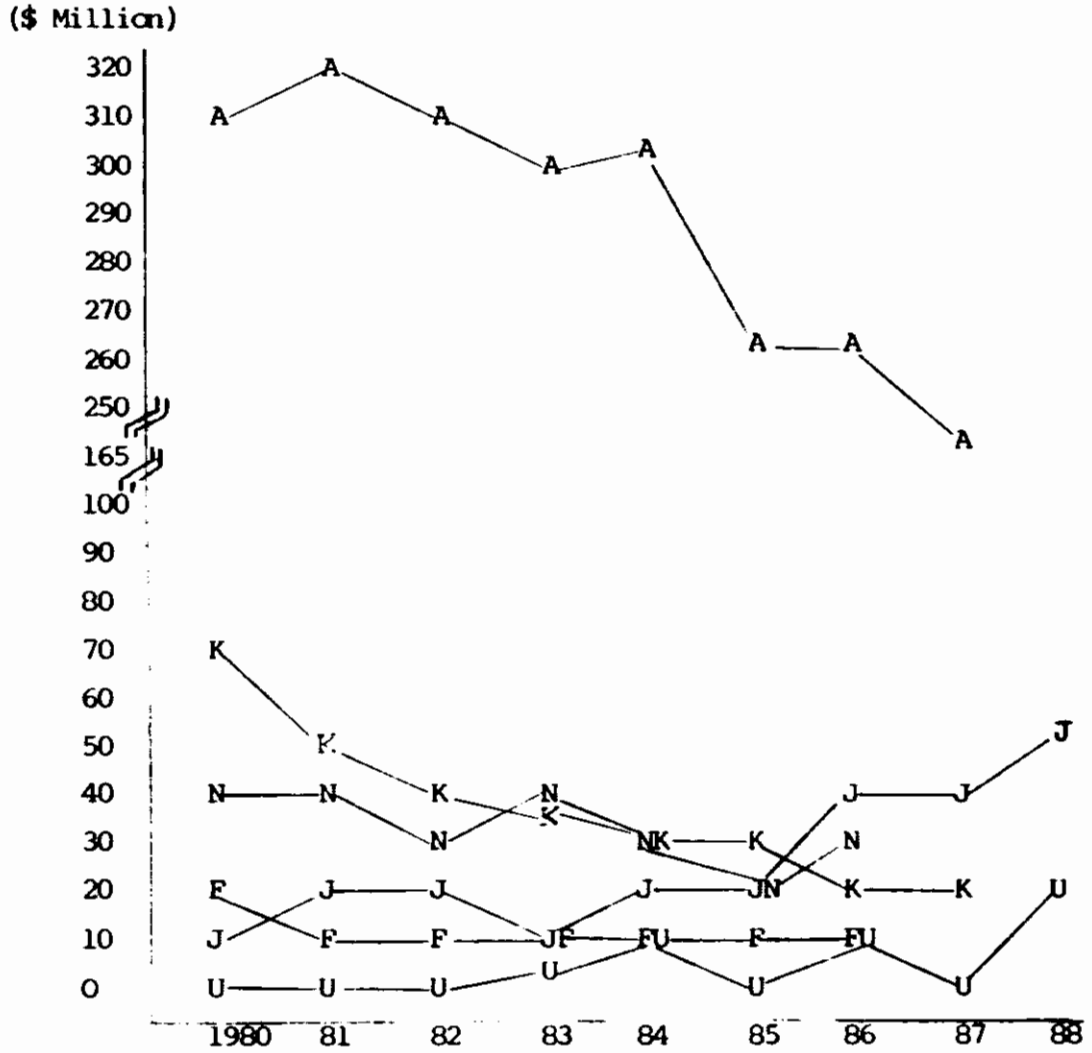
TABLE IV. 1: FOREIGN AID TO THE SOUTH PACIFIC 1980-1986

COUNTRY	1980	1981	1982	1983	1984	1985	1986
				($ Million)			
Papua New Guinea	325.5	335.7	310.6	332.8	321.8	258.9	263.6
Fiji	36.1	40.5	35.4	32.7	31.3	31.9	42.5
Solomon Is.	44.0	30.6	27.9	27.5	19.4	20.9	30.2
Western Samoa	24.9	24.0	21.9	26.7	20.2	19.4	23.3
Vanuatu	44.0	30.4	26.0	26.9	24.5	21.8	24.1
Tonga	16.4	17.5	16.9	17.9	15.7	13.6	15.1
Kiribati	19.2	15.3	15.1	16.8	11.9	12.0	13.4
Cook Is.	10.7	10.5	10.4	9.3	8.1	9.7	26.4
Tuvalu	4.9	5.4	6.2	4.2	5.5	3.3	4.4
Niue	3.7	4.2	4.4	5.6	3.2	3.5	4.2
Regional				29.4	20.7	26.2	23.3
Total	529.4	514.1	474.8	529.8	482.3	421.2	470.5

SOURCES: ANE/EA SOUTH PACIFIC PROGRAM DATA BANK 31-DEC-87
AND OECD 1987 REPORT: DEVELOPMENT COOPERATION.
PARIS 1988: OECD TABLE 18.

TABLE IV.3: ASSISTANCE LEVELS

FOR SELECTED BILATERAL DONORS (1980-1988)



Key: A = Australia, J = Japan, K= United Kingdom,

N = New Zealand, F = France, U = U.S.

TABLE IV.2 SECTOR ASSISTANCE FOR RECIPIENT COUNTRIES IN THE REGION: 1986

SECTOR	Cook Is.	Fiji	Kiribati	Niue	PNG	Solomon Is.	Tonga	Tuvalu	Vanuatu	W.Samoa	Regional	TOTAL
					($ Million)							
Multi-Sector	477.4	2,888.9	814.0	395.0		636.3	603.7	143.1	7,177.0	3,165.2	532.8	16,833.4
Political Affairs		365.0	160.6		4.0	372.3	51.1	36.5	284.7			1,274.2
Gen.Dev/Policy/Plan	6,339.5	2.846.6	889.5	3,913.8	4,143.0	2,369.3	1,049.3	1.230.6	3,696.2	2,466.0	504.9	29,448.9
Natural Resources	156.2	970.1	888.0		6,523.0	172.9	173.6	339.2	428.2	18,179.4	1,438.9	29,269.7
AG/Forest/Fish	373.9	8,114.7	2,683.7	117.9	10,345.0	1,418.7	1,409.4	388.9	2,798.1	7,086.3	3,549.0	38,285.6
Industry	77.6	799.1	553.5	1.5	531.0	734.6	550.9	82.5	815.7	396.1	561.6	5,104.3
Trans/Comm.	613.9	1,919.7	1,242.1	16.3	20,538.0	4,079.0	1,258.7	392.7	2,740.8	9,358.7	5,727.4	47,887.4
Trade/Dev Finance	59.0	1,129.8	53.0		470.0	231.1	204.2	25.1	677.8	579.3	1,514.8	4,926.0
Population	9.3	425.5	19.4		336.0	512.9	96.0		27.9	92.6	810.9	2,330.5
Human Settlements	0.1	800.0			1,287.0	8.1		66.9	62.1	137.6	23.4	2,385.2
Health	364.4	6,455.2	306.2	18.0	2,502.0	6,383.9	494.2	152.9	1,288.8	1,303.0	509.6	19,778.1
Education	20.4	1,092.7	1,328.6		1,230.0	3,248.6	923.7	477.1	2,859.6	2,178.0	2,455.8	15,814.4
Employment		191.6	17.6		69.0	99.4	5.2	14.9	58.0	137.7	72.1	665.4
Humanitarian Aid	279.7	811.3			98.0	1,457.3			646.8			3,293.1
Social Conditions	13.7	165.9			207.0	65.1				238.9	105.3	795.9
Culture		59.9	1.0	66.4	232.0	207.6	21.1	1.6		264.8	452.0	1,306.4
Science & Tech	88.6	590.4			105.0	24.8	80.0		1,106.0	12.5	3,834.2	5,841.5
Unallocated					226,048.3				110.6			226,258.8
TOTAL	8,873.8	29,626.5	8,957.3	4,528.8	274,668.3	22,003.9	6,921.1	3,352.0	24,667.7	45,706.8	22,092.7	451,398.9

SOURCE: UNDP Development Cooperation Reports for 1986 published by offices of UNDP Resident Representatives in Apia, Suva, and Port Moresby. Figures include technical and capital assistance as well as budgetary support. Totals may differ slightly from those in donor assistance tables because some donors were not included in summary tables.

TABLE IV.4: RDO/SP PLANNING LEVELS, FY1990-FY1994
SOURCES AND USES OF FUNDS

	1990	1991	1992	1993	1994	TOTALS
		($000)				
A. SOURCES OF FUNDS						
1. Development Assistance	8,000	8,000	8,000	8,000	8,000	40,000
-Malaria (PNG)	1,500	1,500	1,500	1,500	1,500	7,500
2. ESF, Fish Treaty	6,800	6,800	6,900	—	—	20,500*
3. ESF, Other Regional	2,000	2,000	2,000	5,000	5,000	16,000
4. ESF, Fiji	1,500	2,000	2,000	2,000	2,000	9,500
Subtotal, Program Sources	19,800	20,300	20,400	16,500	16,500	93,500
6. Centrally Funded**	1,500	1,500	1,500	1,500	1,500	7,500
TOTAL SOURCES	21,300	21,800	21,900	18,000	18,000	101,000
B. USES OF FUNDS						
1. Fish Treaty						
- Cash Transfer	6,100	6,100	6,200	—	—	18,400
- Project Assistance	700	700	700	—	—	2,100
2. Commercial Fish	2,500	2,500	2,500	3,500	3,500	14,500
3. Agriculture						
-Reg. Agr. Research	—	—	2,300	2,300	2,300	6,900
-Reg.Agr.Devel.	2,100	1,200	—	—	—	3,300
-PNG/Prov.Mgt.RD/Agr	2,000	2,000	2,000	2,000	2,000	10,000
4. Health						
- PNG/Mgt./Training	900	1,100	1,000	1,000	1,000	5,000
- PNG/Malaria	1,500	1,500	1,500	1,500	1,500	7,500
5. Private Enterprise						
- Training	1,000	1,000	1,000	1,000	1,000	5,000
- Trade & Investment	500	1,500	500	1,500	1,500	5,500
6. Family Planning	500	500	500	500	500	2,500
7. Regional Training	1,000	1,000	1,000	1,000	1,000	5,000
8. Marine Consv./Mgt.	500	500	500	1,500	1,500	4,500
9. Regional Organization	500	700	700	700	700	3,300
Subtotal, Program Uses	19,800	20,300	20,400	16,500	16,500	93,500
10. Centrally Funded**	1,500	1,500	1,500	1,500	1,500	7,500
TOTAL USES	21,300	21,800	21,900	18,000	18,000	101,000

* An additional $9.5 million is in the Treaty for Australia, New Zealand, Federated States of Micronesia, Palau and Marshalls, but not included in these totals for programing in the ten countries served by the RDO/SP.

** Centrally funded activities include A.I.D. financed efforts managed in Washington on a worldwide basis, which operate in the region.

TABLE IV.5: RDO/SP PLANNING LEVELS

FY 1990 - FY 1994, BY COUNTRY, BY SOURCE

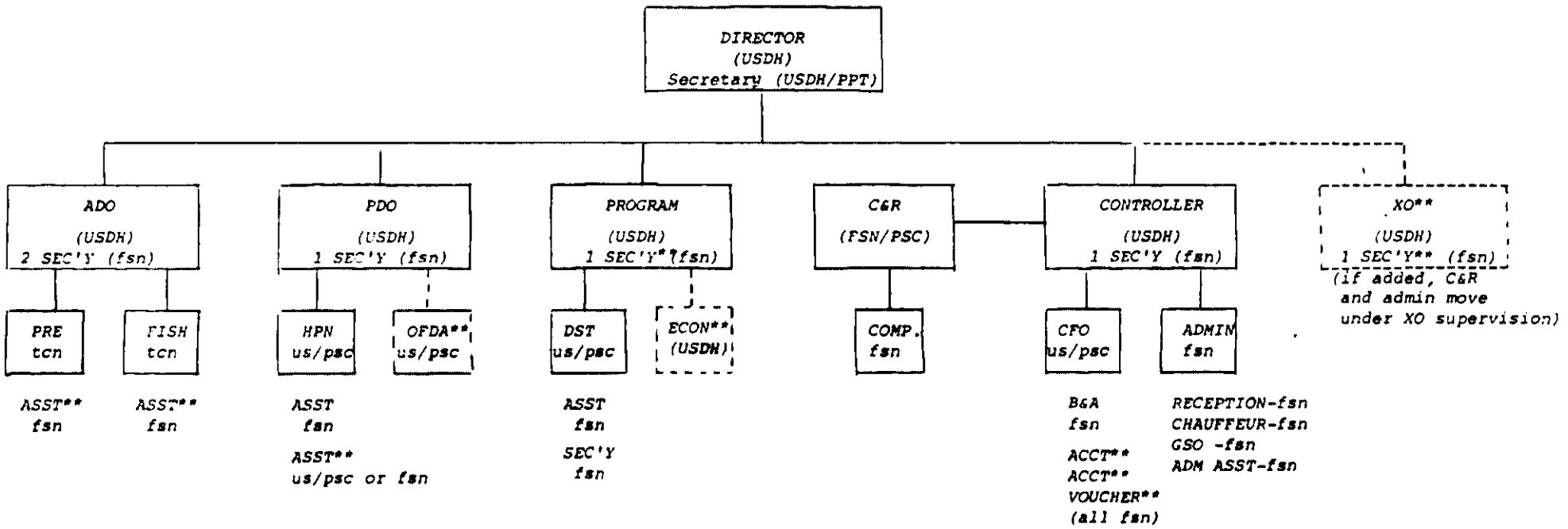
	COUNTRY	TOTAL	DA/ESF FUNDING	FISH TREATY* CASH TRANSFER PROJECT ASSISTANCE
		($ Million)		
1.	Papua New Guinea	44.4	35.4	9.0
2.	Fiji	10.5	10.0	0.5
3.	Solomon Is.	4.9	3.1	1.8
4.	Western Samoa	4.1	3.6	0.5
5.	Vanuatu	3.5	3.0	0.5
6.	Kiribati	11.1	5.7	5.4
7.	Tonga	5.5	5.5	0.0
8.	Cook Islands	2.5	2.0	0.5
9.	Tuvalu	2.8	1.0	1.8
10.	Niue	.9	.4	0.5
11.	Regional	3.3	3.3	-
		93.5	73.0	20.5*

* RDO/SP estimates, actual receipts will depend on the distribution of fishing activity in recipient countries' waters by U.S. vessels. Total cash transfer will be $30.0 million; however, that total includes an estimated $9.5 million for countries other than the ten covered by the RDO/SP.

Table IV.6

RDO/SP STAFFING

(**proposed)



PAPUA NEW GUINEA

PROGRAM (USDH)
SEC'Y (fsn)
ASST ** (USDH/PPT)
ASST ** (fsn)
HEALTH (malaria) (US/PSC)
HEALTH (other)** (US/PSC)
POPULATION** (intern)

TONGA

POPULATION** (US/PSC)

NB: Proposed additions to Suva office during RDSS period are two USDH, two US/PSC and seven FSN/PSC.

ANNEX II

COUNTRY PROFILES

II - A PAPUA NEW GUINEA

II - B FIJI

II - C SOLOMON ISLANDS

II - D WESTERN SAMOA

II - E VANUATU

II - F TONGA

II - G KIRIBATI

II - H COOK ISLANDS

II - I TUVALU

II - J NIUE

PAPUA NEW GUINEA (PNG)

I. Environment for Development

PNG consists of New Guinea (mainland), nine other major islands and a large number of small islands. The total land area is around 185,000 square miles, 85% of which is on New Guinea.

One-third of the country's 3.4 million people live in the highlands and another third in the northern coastal provinces. The majority of the people meet their food requirements for subsistence purposes from farming or gardening. Seventy percent of the rural households also engage in some cash crop production. The population has the lowest life expectancy (50 years) of all the countries in the region and more than twice as many persons per medical doctor (over 15,000). Maternal mortality is 10%, as high as moderately severe countries in Africa, with infant mortality estimated at 130/1000. Nevertheless, the Government spends an estimated 9-12% of their GNP on health with 55% targeted to rural health services.

Food crops represent nearly 40% of agriculture production and the sector employs about 55% of the total labor force. Tree crops account for nearly 46% of agricultural production, and livestock and fisheries combined represent less than 8%.

The market economy of PNG is driven by mining and agricultural production, which supplement the nation's traditional subsistence activities. Commercial development of the nation's abundant resources has been inhibited by the rugged terrain and consequent high cost of economic infrastructure. Although there has been some recent improvement, economic growth has been generally weak. From 1980 to 1985, GDP grew at around 1% or less than half of population growth rate causing a significant decline in per capita income.

The PNG economy is open and dependent on trade to sustain the modern sector. Trade accounts are generally balanced, with exports of minerals and agricultural goods sufficient to cover imports of consumer and capital goods. Structural deficits in the service accounts are offset by significant foreign grant aid from Australia (accounting for 10% of GNP) and inflows of foreign private capital.

PNG is often characterized as a natural resource rich economy possessing great mineral and oil wealth, but a poorly trained human resource base.

The country is clearly on the verge of a major boom with large gold projects and a significant oil discovery. These projects seem likely to transform the economy into one of the fastest-growing in the developing world. The resource boom is also likely to overwhelm the capacity of the government's bureaucracy and, through appreciating exchange rates and wage pressures, create major problems for private sector growth in non-mineral sectors of the economy.

No introduction to the PNG economy would be complete without noting two unique aspects of the country. First, the country is the recipient of one of the highest per capita aid programs in the developing world, with annual budgetary assistance from Australia at $200 million per year, albeit decreasing. This aid maintains an artificially high living standard and is at least partially responsible for a wage structure which is not internationally competitive. As aid declines from about 30% of the budget to about 18%, PNG has undertaken strict austerity measures and curtailed government services. This high living standard is predominantly urban and mine based and reflects an urban/rich, rural/poor gap. The second unique aspect of PNG is its enormous cultural and linguistic diversity with over 1000 culture groups speaking nearly 700 distinct languages (e.g., one-third of the world's languages are spoken in PNG). This diversity can sometimes have economic consequences since it fosters suspicion and enmity between clan groups which may be carried into the workplace.

Agriculture supports 90% of the population, most of whom are subsistence farmers and self-employed smallholders. This sector accounts for one-third of the country's GDP and approximately 40% of total export earnings. The main foodcrops are sweet potatoes, taro, yams, sago and rice. The four principal export crops — coffee, copra, cocoa and palm oil — provide about 90% of the value of total agricultural exports. These are supplemented by cash crop production of tea, rubber and palm kernels.

Agriculture in PNG is diversified, well organized through commodity marketing boards and generally productive. Nature is kind to growers with large areas of fertile volcanic soils, adequate rainfall and minimal crop loss through natural disasters or drought. Crop yields in some agricultural commodities such as oil palm are among the highest in the world, and with the exception of senile coconut and cocoa plantations, the agricultural base is relatively strong. In addition, export agriculture tends to be dominated by smallholders (70% of rural households are engaged in cash crop production) who are generally responsive to changes in market conditions and world prices. Finally, there is a well-established agricultural research program and the nucleus of a once highly organized extension service.

Cash cropping is extremely important to the large share of the population which resides in rural areas. The country exports a wide variety of agricultural products, including coffee, coconut products, cocoa, oil palm and tea. In addition, PNG produces an estimated $200 million worth of timber.

Since 1980, export volumes have grown at an annual rate of about 3%. The World Bank expects this growth to accelerate to 5% over the medium term, even without allowing for the anticipated mineral boom. Much of this growth is dependent on the provision of improved rural extension services. These services have eroded as a result of the post-independence devolution of power to provincial governments.

Non-agricultural rural industries include forestry, fishing and a growing livestock industry. Much of PNG is covered with vast tracts of mixed species forest. It is estimated the Vanimo forest alone contains more standing timber than exists in all of Thailand. The nation's waters hold one of the largest skipjack and tuna resources in the world, and the country has a valuable prawn and lobster industry capable of expansion. Beef production in PNG has been relatively stagnant over the last few years, but poultry and pork production have risen rapidly since 1978.

The high infant, child and maternal mortality rates compounded by a high disease load on populations of all ages present a severe burden to the productive sectors, especially in the rural smallholder agriculture sectors. The government has recognized health as a major constraint to rural development with the allocations of 9-12% of their GNP to health, with 55% to rural health. Despite significant improvements to rural health (fall in IMR from 300+ in the 1960's to 130 in mid-1980's), PNG appears to have plateaued in its efforts to improve health. In 1983, most national government functions in health were decentralized to provinces, but without transferring or providing the technical public health and management skills. With sufficient government support to health, the next improvement in health and child survival will come through improvement in management and applications of appropriate public health/child survival skills and technologies.

II. Economic Performance and Prospects

A. Economic Performance

PNG has had a mixed record. During part of its history, it did not have a growth-oriented plan but emphasized public services, education and health. Serious financial constraints led the government into its current policy that growth is a necessary pre-condition to achieving its other goals.

With growth of only 1% annually since 1980, internal resources have deteriorated, government expenditure has had to be financed from increased borrowing and external debt rose by 300%, 1980-85. It is noted in the Government's Planning and Budgetary Strategy, 1988 - 1992 that this

recent experience has made it patently clear that without economic growth, the government cannot hope to attain any of its broader social goals. For this reason, the achievement of economic growth has become the government's primary objective. The strategy adopted in pursuit of this objective includes:

- promoting private sector investment;
- redirecting public resources into directly productive investment; and
- improving the management of resources so as to implement investments effectively, making optimum use of internal resources and concessional finance from broad.

It notes that economic growth is only a means and not an end; for fast growth is worth nothing if it does not lead to genuine social development for the majority of the population. Therefore the government is targetting its development efforts on the rural areas. Eighty-seven percent of the population live in rural areas, and it is here that income opportunities are most needed — both to solve the fundamental village-level problems of malnutrition and the lack of basic goods and services and to prevent migration and the associated problems of lawlessness and urban deprivation.

Substantial progress has already been made in improving economic policies. The most recent World Bank report notes that "financial imbalances have been appreciably reduced. Fiscal deficits have been lowered, inflation has been moderated, the balance of payments position has been strengthened, and discipline has been restored over external borrowing."

B. Economic Prospects

Constraints to the expansion of the rural economy include inadequate, high-cost infrastructure, chronic land tenure problems, malaria and infectious human diseases and a general lack of entrepreneurs. Historically, rural credit has been in short supply, but recent loan directives to the domestic banking system are designed to overcome these difficulties. As suggested above, the deterioration of extension services may pose medium-term constraints on agricultural expansion. In forestry the mixed species

character of PNG forests and the existence of many tropical hardwood species without established commercial markets have been handicaps.

Bottlenecks to expansion of the urban economy include the small size of the internal market for manufactured goods and a pervasive shortage of trained manpower. Local businesses are overregulated and plagued by frequent changes in government policy. Although officially welcoming foreign investment, the government has created a maze of red tape and restrictions on expatriate work permits and businesses reserved to PNG nationals. NIDA (National Investment and Development Authority) is charged with reviewing investment proposals. However, it has become a regulatory agency. Finally, medium-to large-scale business ventures in PNG are rapidly approaching a debt crisis due both to new domestic lending policies in which credit is apportioned according to predetermined quotas and also to increasingly difficult access to offshore funding.

III. RDO/SP Strategy

PNG has received just under $11.0 million in U.S. assistance since 1977, about 16% of all A.I.D. assistance to the region. This funding has assisted a large number of community development projects, with emphasis on health, income generation, water and sanitation, women-in-development and, especially, private enterprise development. Literacy activities received assistance in the earlier years. Recently, training, malaria research and fisheries have also received assistance.

The malaria research program will continue. In addition, two major programs in health and agriculture will be built around improving the management capacity of the provincial level authorities. All authorities agree that PNG's decentralization program is a move in the right direction. The provincial authorities will need strengthening in planning, budgeting and general management if they are to carry out the responsibilities they have been assigned. This would be a first step in developing a longer term strategy for rural development, especially in health and agriculture.

In marine resources the government has already moved to strengthen its extension services. A coastal marine resources development project will work with these services to increase rural fish production.

Options for private sector activities will be developed. These will include an investment advisory assistance program, including policy dialogue on such issues as improving the climate for foreign and indigenous investment. The goal, however, will be to facilitate responsible investment in PNG's rich resource base. Financial and business management training will focus on those engaged in small-scale agricultural business in Lae and Goroka. This training will be supplemented by assistance from American business advisors.

FIJI

I. Environment for Development

Fiji is composed of 322 islands with a total land area just over 7000 square miles. Most of its 700,000 citizens live on the two main islands. Indigenous Fijians comprise 45% of the population, and Fijians of Indian descent constitute 50% (others, primarily European, make up the balance).

Per capita income is twice that of most other countries in the RDO/SP region. On a per capita basis, Fiji also receives the smallest amount of aid. It is the most urbanized country, among the healthiest, with an annual growth rate of 2% annually.

Social, physical and economic characterizations of the development environment have been rendered nearly irrelevant by the recent politics of Fiji. Since the May 14, 1987 coup — and reinforced by the second coup four months later — political uncertainty has led to a collapse of confidence on the part of the foreign and local business communities, which in turn has resulted in a spiralling decline in the economy and an abrupt change in the developmental forecast.

This outcome is particularly sad in light of the promising picture painted for Fiji in 1986. Unlike most other countries in the region, Fiji has the potential for diversified, broad-based development. In the agricultural sector, sugar production in the first quarter of 1987 was up 45% from the previous year and tourism receipts were up 10%. A considerable number of applications were being received for new investments in forestry, mining, tourism, new forms of manufacturing and fishing. Standards of living were high by regional standards, and Fiji held the rightful claim of "Gateway to the Pacific."

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In nearly all factors of production, Fiji is a well-endowed country, albeit with certain problems still in need of development solutions:

- the labor force is well educated, with relatively good productivity and reasonable wage rates;

- the country's location and trade agreements (SPARTECA, Lome Convention, etc.) are generally regarded as assets;

- the government business policy framework is generally regarded as good; and

- land is productive, despite most potential being unrealized due to land tenure systems.

In the various sectors, Fiji had been performing well before the coups. In agriculture and forestry, for instance, Fiji was poised to move into downstream processing to obtain greater value added for its products. Tourism was at a peak, even to a point of forecasting a shortage of hotel rooms by 1989. Manufacturing -- small, locally-owned and geared toward import substitution -- showed potential for expansion. However, since the coups, investment applications for new enterprises have come to a virtual stop, and many projects have been postponed or withdrawn altogether.

II. Economic Performance and Prospects

A. Economic Performance

The consequences of uncertainty and depressed confidence have been profound and have caused a serious deterioration in the economic climate. Over the past year Fiji has experienced a massive flight of capital, dwindling foreign reserves, shaky currency value in the external exchange market and a steady emigration of the Indo-Fijian community which controlled 85% of the country's commerce. National productivity is at an all-time low. Inflation,

increased unemployment, contracted tourism, havoc in the sugar industry, tight money supply, a fragile balance of payments position and deteriorating terms of trade have thrown the economy off-balance. Bilateral aid programs and exports to traditional markets which sustain Fiji's economic development have been jeopardized or frozen, political side effects which leave the economy further at risk.

As a result, Fiji ended 1987 with:

- a decline in real GNP of 11.0 percent;
- 33.0% devaluation of the Fiji dollar;
- a 10% drop in foreign reserves (recovered slightly by year's end);
- a 20.3% decline in sugar production;
- 27% and 29% drops in tourist arrivals and tourism earnings, respectively;
- a decline in investments, government expenditures and rates of saving;
- a swing in overall balance of payments from +F$29.2 million in 1986 to -F$34.6 million in 1987; and
- inflation increasing from 2% to 6%.

B. Economic Prospects

As if the setbacks of 1987 were not enough, projections for 1988 indicate further economic deterioration. Real GDP is anticipated to decline by about 6.5%. Real investment is expected to fall 13.1%, and the nation's terms of trade by 11.2%. The government budget deficits and the balance of payments deficit are expected to rise considerably.

While pre-coup "normalcy" is gradually being restored, there is no clear end in sight for business uncertainty. Until confidence is re-established, Fiji faces no real prospect for reversing the downward economic spiral. In the meantime, the true impacts of the decline -- such as bankruptcies, reduced government services, etc. -- are only beginning to be felt. In order to stimulate the economy, the Government has introduced investor incentives in formal tax- and trade-free zones for export industry. Initial responses are encouraging; however, the major growth will be in textile exports.

III. A. Development Problems

As throughout the region, Fiji has a continuing need for trained manpower in all sectors. This need, while less than those of the other RDO/SP countries, has become more pronounced as Indo-Fijians have left the country.

Since Fiji is further along in developmental terms (and, at least pre-coup, well on its way to independence from foreign aid), its needs are more advanced, mostly relating to shortage of capital. Specifically, Fiji suffers from:

- an acute shortage of venture capital;
- lack of downstream industries which will not be developed until investor confidence returns; and
- a traditional, communal land-use system which limits productive and capital uses of land resources.

B. RDO/SP Strategy

Assistance to Fiji between FY 1977 and the 1987 suspension of aid totalled $15.1 million, the highest individual level for any country in the region. Assistance has emphasized small-scale, rural development projects, training and disaster relief.

When the present aid suspension is lifted, RDO/SP activities in Fiji will be narrowly focused, as Fiji for all practical purposes is being designated a "private enterprise country." Key activities in this sector will be coordinated through the Fiji Trade and Investment Board (FTIB) and will include participation in the regional business management training and assistance project, as well as specific training in travel and tourism at the University of Hawaii. In order to participate in these activities, Fiji will have demonstrated the return of political and economic stability. However, two activities -- land use entrepreneurship and the Westpac loan guarantee scheme -- can proceed forthwith.

Fisheries activity will also be geared toward commercial activity, as assistance will be provided for a five-year program to develop offshore artisanal fishing. The plan is to develop a fleet of vessels in the 35-to 45-foot range which can be technically and financially managed by local fishermen. RDO/SP input will include technical assistance in vessel design and construction; training for fishermen in vessel operations, fish handling and business management; resource assessment and capital for new vessels.

Without disturbing traditional systems, ways will be found to enhance the commercial value of land-use arrangements to the benefit of the landowners.

There are no health or agriculture activities planned for Fiji other than regional participation.

SOLOMON ISLANDS

I. Environment for Development

The Solomon Islands form an archipelago stretching along a 1500-mile chain southwest from Papua New Guinea across the Coral Sea to Vanuatu. A population of around 300,000 resides on six large islands and hundreds of small ones, with a total area of around 11,000 square miles. Most of the larger islands are mountainous and consist of uplifted volcanic and metamorphic rocks overlaid with dense tropical rainforest. Many of the outer islands are coral atolls and raised coral reefs. Between 25%-35% of the land is suitable for agriculture, the rest being too steep, infertile or ill-drained.

The Solomon Islands has one of the highest population growth rates in the world, calculated at 3.5% per annum following the 1986 census. Approximately 15% of the current population lives in and around the capital of Honiara; the remaining 85% lives in over 5000 scattered communities with an average population of 50. Over half of the village localities have a population of about 20. The scattered nature of the population makes the provision of government services or any development intervention both difficult and costly.

The economy is small in scale, highly concentrated and open to the vagaries of international trends. Of the total population, only about 8% are employed in the monetized wage sector, with one-third of them employed by national or provincial governments and one-third employed in Honiara.

Further exploitation of land resources is inhibited by natural barriers (rugged terrain, poor soil, etc.) and the limits on land use created by the nation's complex land tenure system. About 88% of land is customary owned by communities based on lineage groups or clans. Disputes over control and ownership are increasing and although the government is attempting to record

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ownership and boundaries, progress is slow as the issue is rife with political and social sensitivities.

The ultimate impact of the land tenure system is that prospective entrepreneurs -- both local and foreign -- have great difficulty securing and maintaining land access rights. Given that the nation's immediate prospects lie in resource-based industries, the problem associated with land tenure raises a barrier to private sector development.

The labor force presents mixed opportunities for the country. As workers, Solomon Islanders are considered potentially relatively productive. However, educational standards are low, adult literacy is estimated at 13%, unions are powerful, turnover rates are high and productivity is low. The country suffers from a chronic shortage of middle management and technically skilled workers and operates with a cultural bias in favor of subsistence living: employees work to meet a certain need for cash, and then stop when they have no need for the added incomes. The condition is seen in all sectors, from office workers to light manufacturing to cash-oriented agriculture and fishing.

Copra, cocoa and palm oil are the nation's principal export crops. Efforts in rice and cattle have been disappointing; the orientation of livestock programs has now shifted towards poultry, pigs and goats for domestic consumption. Agricultural experts conclude there are few crops that could become new foreign exchange earners. Coffee, spices, chili peppers and tree crops offer some possibilities; however, all prospects are hindered by pests, land access issues, poor transportation and marketing links and the lack of mechanization to remain viable.

Forestry offers some potential for growth. However, the downstream wood industry requires inflows of capital, technical expertise, resolution of land access problems and development of marketing outlets not presently available.

Commercial fishing presently provides the country with nearly one-half of its export earnings, 1500 direct jobs and one-tenth of the government's

revenues. New growth is anticipated with a new joint venture cannery coming on stream this year and with the purchase of two sophisticated purse-seining vessels by the government-owned company. If these expansions are successful, the commercial fishing sector is expected to nearly double in size over the next decade.

Rural artisanal fishing for urban markets has not evolved significantly over the last century. Transportation problems, among others, limit substantial growth in this sector, and the urban demand for fresh fish is largely met from the relatively inexpensive bycatch from the industrial tuna vessels. For now the major opportunities for expanding benefits from fisheries lie in increasing, diversifying and spinning off service industries associated with commercial tuna and fish processing.

The level of development and size of the Solomon Islands economy preclude any major near-term gains in manufacturing. Health conditions and few attractions limit contribution of tourism. Mining may expand, but only at a marginal pace.

II. Economic Performance and Prospects

A. Economic Performance

The Solomons Islands GDP in 1985 was estimated at about $160 million, one-quarter of which represents subsistence forms of production, primarily farming and fishing. The distribution of income is highly skewed in favour of expatriate advisors and executives (1/25th of workforce), and the urban and government-employed.

Domestic income is highly dependent upon export earnings, constituting about 60% of GDP, and on foreign assistance inflows, which account for nearly 20% of national income. As a result, the nation is highly vulnerable to external trends and events that can alter the nation's net foreign income.

The export sector is concentrated in commodities sensitive to international prices:

fish	45%	palm	5%
timber	35%	cocoa	5%
copra	5%	other	5%

At the same time, the economy is dependent upon imports of fuels, foodstuffs, capital goods and manufactured consumer products which negate gains in real output. Given a population growth rate of 3.5%, current economic performance suggests gradual decline in per capita income and standards of living over the medium term.

B. Economic Prospects

Despite relatively gloomy performances and setbacks caused by cyclone Namu in 1986, the economy is recovering and its resource base (fisheries, timber, cash-crop agriculture) is intact. In addition, the country's subsistence, extended-family orientation provides strength to counter hardships. The question remains, however, whether the Solomons can break out of the subsistence/plantation structure characterized by a series of dichotomies and achieve sustainable gains in economic growth led by the private sector.

III. A. Development Problems

Several factors inhibit economic growth in the Solomon Islands:

- lack of trained manpower and general low educational achievement, resulting in extensive/expensive dependence on expatriates;

- high population growth rate, taxing increasingly scarce resources (e.g., potable water), and contributing to growth of unemployment;

- health problems endemic to Melanesian countries (malaria, diarrhoea, high infant mortality rate, etc.);

- land tenure system which deters growth in agriculture and forestry;

- cultural pressure to share resources and income, which inhibits achievement;

- high margins required by businesses to account for high risks, high cost structures and lack of financing at adequate terms; and

- improper management of renewable timber resource forecasting a decline in forestry earnings.

B. RDO/SP Proposed Strategy

A.I.D. assistance to the Solomon Islands has totalled just over $5 million since the RDO/SP's inception in FY 1977. This assistance has supported an extensive number of community projects in the widely dispersed, small villages of the Solomons. These projects have assisted, among others, women-in-development and income-generation activities. Cyclone Namu (1986) ushered in A.I.D. assistance to large-scale housing rehabilitation program on the two main islands, and concurrently helped to bolster a private, timber-processing sector.

Planned assistance to the Solomons will continue a heavy reliance on small-scale mechanisms, as Government officials indicate their absorptive capacity for large-scale projects is already fully taxed. Consequently training, in an attempt to expand their capacity, will be the major intervention in the agriculture, fisheries and private enterprise sectors. The land use entrepreneurship activity, if developed tested successfully in Fiji, would be suitable for extension to the Solomon Islands.

While health conditions and systems are similar to those found in PNG, no specific interventions are being proposed now. However, if the PNG health program indicates a significant impact then the next logical step is the Solomon Islands. The Solomons will participate in the regional population program.

WESTERN SAMOA

I. Environment for Development

Western Samoa consists of two main islands and five small ones. Total land area is 1200 square miles, about the size of Rhode Island. The land is volcanic, covered with dense tropical forests and surrounded at the shore lines by coral reefs.

Apart from Apia, the capital and commercial center, Western Samoa has no major towns. The population of 160,000 lives almost exclusively on the two main islands in a predominantly village society. There are about 330 villages with an average population per village of 490 people. The rate of net emigration is about 1.8%, and the annual growth rate is low. Land pressure is not a problem.

Per capita income is about average by South Pacific standards, currently estimated at around $700. However, this figure masks a relatively high standard of living:

- infant mortality is 13 per 1000 live births;
- malnutrition is rare;
- there are no serious epidemic and infectious diseases; and
- literacy rate is 98%.

The principal economic activity is mixed subsistence agriculture which absorbs about two-thirds of the labor force and produces one-half of GDP. About 80% of the agricultural land is under village control with the remainder used by large-scale government operations. Coconut is the chief cash and

subsistence crop, representing about one-half of total production and 75% of agricultural exports. Cocoa and taro are the other major crops, both for export and domestic staple consumption.

Services dominate the rest of the economy, with government making up more than half, or about 25%, of GDP. Manufacturing is relatively insignificant.

As a result of its inability to diversify away from a dependence on coconut production, the Western Samoan economy has stagnated for several decades. While the country has ample amounts of arable land, with good climatic and soil conditions, the land is not being used most effectively and an inefficient, government-operated agricultural marketing system further hinders diversification. On top of that:

- Western Samoa possesses no exploitable mineral deposits;

- the country will deplete its virgin forests within 20 years and, despite reforestation, will see declines in this sector as the replacement trees are a less valuable species;

- inshore fish resources are already nearly exploited and small-scale fisheries development programs have stagnated;

- traditionally held land (80% of the country) cannot be sold or used as collateral, greatly reducing smallholder access to capital;

- Western Samoa offers non-competitive tax rates, compared to similarly endowed countries in the region;

- emigration has sapped the country of much of its skilled labor;

- remittances from those emigres, while fundamental for the financing of the country's trade deficits, also creates a local disincentive to generate more cash income through increased production; and

- sustained productivity and growth are further constrained by a cultural bias toward meeting an immediate cash need rather than continually maximizing profits.

However, the most important element in Western Samoa's economic stagnation has been a failure to implement and maintain appropriate economic policies. The government has intervened excessively and inefficiently in productive enterprises to the point where over one-half of total economic activity is provided directly or financed by the government. If appropriate policies can be put in place, however, Western Samoa does have several possible inputs to growth:

- as yet untapped potential in offshore bottomfish, tuna and skipjack fisheries;

- nearly universal adult literacy;

- extensive business support services;

- a well-developed private sector and local financial institutions;

- ample, well-watered arable land in year-round growing conditions;

- good transportation and infrastruture systems; and

- climate, scenery and lifestyle conducive to tourism development.

II. Economic Performance and Prospects

A. Economic Performance

Growth in GDP has been negligible since 1980. Agriculture has been the worst performing sector, especially with regard to exports. Large remittances (34% of GDP) and aid inflows (20% of GDP) have bolstered consumption and allowed Samoans to maintain their standards of living. Consequently, services (mainly retailing) has been the only buoyant private sector activity.

However, since retailing encourages imports, the Central Bank is limiting credit growth in order to curb imports and bolster foreign exchange reserves.

Like other Polynesian countries, Western Samoa is open and runs large and persistent trade deficits. Imports are equal to about 60% of GDP, while export earnings cover only one-quarter of imports.

B. Economic Prospects

The prospects for the Western Samoa economy are not good. Near-term results are dependent on the prices of coconut products, which are not likely to improve dramatically. Medium-term prospects will depend, however, on an improvement in economic management, and the outlook in this area is poor. Economic management is overly politicized, and there is little evidence to indicate a change either in practices or in the present lack of commitment to letting markets perform their functions efficiently.

III. A. Development Problems

Western Samoa's major development problem can be summed up in one word: policies. Other problems, notably related to inappropriate policies, include:

- lack of trained manpower (in all sectors) remaining in Western Samoa, as "brain drain" draws the best overseas;

- near total reliance on a single export crop;

- low productivity in all sectors based on cultural inclinations toward subsistence and the disincentive effect of large remittances and aid flows;

- depletion of inshore marine resources and diminution of natural forestry resources.

B. RDO/SP Strategy

A.I.D. assistance to Western Samoa since FY 1977 has totalled $3.2 million. The assistance has gone primarily for small-scale community development activities, fisheries development and, recently, training.

Future interventions in Western Samoa will be significantly limited as progress and impact are severely constrained by inappropriate government policies. For example, assistance for further development in marine resources will be dependent on continuing progress in the Governments' private sector policies, including privatization of the boatyard and fish-marketing facilities. The lack of trained manpower will be the near exclusive focus of agriculture and private sector activities. No health activity is planned for Western Samoa, other than participation in the regional population project.

VANUATU

I. Environment for Development

The Republic of Vanuatu is made up of 80 small islands located between Fiji and Australia. Fifty-five percent, or around 2600 square miles, of the land is arable; only 17% of all land was being utilized at the time of independence in 1980. Vanuatu's small population of approximately 140,000 has been traditionally oriented toward subsistence activities, supported by abundant, fertile land and rich sea resources. The population is distributed widely throughout the country, and the consequent lack of urban centers prevents economies of scale necessary for economic development.

Vanuatu suffers from a dependence on copra as its major export crop. As is also common throughout the region, Vanuatu's crop is in need of revitalization, as 60% of the trees are senile and past the age of maximum productivity. Furthermore, Vanuatu's copra has historically been of an inferior quality.

On the other hand, cocoa and coffee hold modest near-term potential for Vanuatu's agricultural sector. With major new cocoa acreage under development, exports are expected to reach an annual level of 300 metric tons by the year 2000. Similarly, coffee from the southern island of Tanna is highly sought after and commands a premium price. The Vanuatu coffee industry is being reoriented to take advantage of this.

There are also possibilities for capitalizing on the vast marine resources of Vanuatu's exclusive economic zone (EEZ). Inshore, there are substantial resources of reef and lagoon fish, beche-de-mer and commercial shell species. Offshore, the tuna resources have been regularly fished by foreign vessels. There are important prospects for further exploitation of deep bottomfish. Vanuatu has already implemented a successful village fisheries development program.

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Tourism already is a major foreign-exchange earner and provides about 15% of urban employment. While largely foreign owned, this industry nonetheless offers a major market for domestic beef, fresh fish and local agricultural production.

Access to capital in Vanuatu is limited, but is not considered a major constraint to entrepreneurs. The policy climate is also generally positive; Vanuatu operates as a "tax haven" and does not impose corporate income taxes. The government's revenue structure is instead dependent upon indirect taxes, primarily import duties.

Vanuatu's main development problem remains the lack of trained people to effectively run the economic and the government operations of this eight-year-old nation. Labor, when it exists, is generally productive, but lacks the aggressiveness found in many neighboring countries. Social statistics for the country are mediocre, as infant and child mortality are high (100/1000 and 90/1000 respectively) and literacy is low when compared to other South Pacific nations (57% for men, 48% for women). Life expectancy is 55 years, which is also on the low end of the spectrum for RDO/SP countries.

II. Economic Performance and Prospects

A. Economic Performance

Overall, the Vanuatu economy is relatively open and highly dependent upon external transactions. Approximately one-half of the government budget is financed by inflows from foreign grants. These inflows help offset the structural deficit in Vanuatu's balance of trade. The country's external accounts are dominated by exports of commodities (e.g., copra, cocoa, beef and timber), which are subject to world price fluctuations, and by receipts from tourism. Most nonagricultural goods and nearly all capital goods are imported.

The economic fortunes of Vanuatu have experienced major reversals in recent years due to a series of adverse circumstances including three years of cyclones and a downturn in the economy of Australia, Vanuatu's primary source of tourists. The combined result is stagnation in real output since 1984 and

a floundering of the nation's cash economy. These setbacks are accommodated, however, by buoyancy in the nation's subsistence sector. Subsistence agriculture accounts for nearly a quarter of Vanuatu's GDP but supports as much as 80% of the total population.

B. Economic Prospects

Vanuatu is benefitting from the trouble in Fiji; tourists are returning to Vanuatu as the "safer" destination. Also, reconstruction of damaged infrastructure after the May 1987 cyclone may prove to be a hidden blessing, as it can make a significant improvement in the country's capital assets.

Additionally, Vanuatu has signed fishing agreements with both the U.S. and the Soviets, which will add substantial foreign exchange earnings. Increased earnings from domestic fisheries development, both artisanal and industrial, are also possible. Half of Vanuatu's available arable land is standing unused, so prospects of further agricultural growth are good.

The overarching challenge facing Vanuatu is the need to identify and nurture economic activities with long-term growth potential, primarily through the stimulation of private enterprise. Aside from the constraining factor of labor shortages, Vanuatu possesses all the ingredients necessary for sustained growth if an appropriate strategy can be crafted and implemented. Morever, at this juncture in its short history the Government of Vanuatu is receptive to increased U.S. presence and assistance for participating in that strategy.

III. A. Development Problems

The principal bottleneck to development is the acute scarcity of labor, especially skilled and technical workers. To this can be added:

- the absence of an entrepreneurial tradition;

- some rigidities in the land tenure system;

- lack of appropriate research on agricultural diversification and high-yield crop varieties;

- distance from potential markets; and

- overdependence upon externally affected industries (e.g. tourism).

B. RDO/SP Strategy

Vanuatu has received just under $3 million during the FY 1977-1987 period. Assistance with Vanuatu plantation agriculture, principally with the transition to increased indigenous management of plantations, has been the principal focus. Fisheries, and recently disaster relief, have also been key areas.

The new strategy will address specific manpower constraints, including the lack of an entrepreneurial tradition and the consequent absence of fundamental management skills.

Participation in the regional business management training and assistance project will be aimed at the services sector and coordinated through the National Tourism Office.

Efforts in agriculture will continue to be limited to training, as this is the first priority of the Division of Agriculture, Livestock and Horticulture. Concurrently the IRETA component of the regional SPRAD project will also initiate specialized training in Port Vila, aimed at the special needs of the ni-Vanuatu.

Assistance will also be provided in the development of ni-Vanuatu expertise in the economically productive sectors. Inasmuch as only 60 students made it through the secondary school system in 1986, there is little base for widespread overseas training. Instead specialized, in-country training may need to be developed for Vanuatu in accordance with the host country and RDO/SP priority areas.

Vanuatu will also receive assistance to small-scale fisheries development in association with the fisheries treaty.

While health conditions and systems are similar to those found in PNG, no specific interventions are being proposed now. Vanuatu will participate in the regional population program.

TONGA

I. Environment for Development

In many characteristics, Tonga is not unlike most of its South Pacific neighbors: small, isolated, facing consistent trade deficits and increasingly dependent upon remittances to supplement its main production sector -- semi-subsistence agriculture.

Specifically, Tonga has a population under 100,000, distributed over 36 of the nation's 171 islands. Total land mass is only 280 square miles, concentrated in three main island groups hundreds of miles apart. Semi-subsistence smallholder agriculture employs about 50% of the labor force and provides 40% of GDP. Coconut is still the principal cash crop, but progress is being made on agricultural diversification. Agricultural products still make up about 70% of the country's limited exports with coconut products totalling 40%. (The coconut figure is down, however, from 1980 when it alone accounted for 75% of all exports).

What is uncharacteristic about Tonga, however, is that it is a development success story in the South Pacific. Possessing no significant natural resources and facing sharply declining terms of trade, the economy has nonetheless grown over 3.5% per year since 1980. These impressive results are due primarily to the maintenance of prudent and appropriate economic policies that have strongly supported the private sector.

The balance sheet for development in Tonga looks (something) like this:

On the negative side:

- Land pressure is a problem, as Tonga has one of the highest population densities in the region (400/square mile on the main island of Tongatapu).

- Transportation and communication problems are severe, as the nation includes 171 islands spread out along a line 500 miles long.

- There are no commercially exploitable mineral or timber resources.

- The land tenure system (8.25 acres to every male upon 16 years of age) is being exhausted, resulting in even smaller, more scattered and increasingly inefficient lots.

- Significant outmigration results in a lack of skilled personnel, both in managerial and technical sectors.

- The private sector is constrained by the narrowness of capital markets.

- The economy is highly dependent upon a single crop, coconut, for which it is a price taker.

- In fisheries, large-scale tuna operations are beyond Tonga's capital and technical resources, while traditional lagoon and reef resources are being heavily exploited.

Yet, on the positive side, Tonga has developed factors to counter these problems, including:

- Diversification of its economy, not only beyond the agriculture sector, but also within that sector. For instance, in agriculture:
  - -- vanilla, (a high-value, labor-intensive, easily transported crop) already produces $1.5 million and is expected to double production in 1990;
  - -- similar hope is held for future production of spices, cocoa and coffee; and
  - -- substantial opportunities exist for commercial exploitation of the fresh fruit and vegetable export market.

- Other sectors growing under the diversification scheme include:
  - fishing, primarily in the modernized artisanal sector;
  - tourism, leading to local, private participation in support services, handicrafts and foodstuffs;
  - manufacturing, which was virtually nonexistent a decade ago, now produces 12% of GDP and employs over 3000 people.

- Inefficient land uses are mitigated with gradually liberalizing licensing procedures.

- Farmers are beginning to practice extensive intercropping to maximize production value of small land holdings and the government is attempting new research in farming systems to continue this trend.

- Cooperatives are effective in the wholesale marketing of goods in local and export markets.

- Despite emigration, labor remains Tonga's greatest resource as people are generally healthy, well-educated, literate, productive and more disciplined than in many neighboring countries.

- Despite needed improvements in the system, there is no severe capital shortage, primarily due to an adequate albeit limited credit supply from the well-run Tongan Development Bank.

- Perhaps most importantly, Tonga's success can be traced to its professional government administration which supports but does not supplant private sector initiatives.

II. Economic Performance and Prospects

A. Economic Performance

GDP in 1985 was estimated at about $81 million, but with substantial remittances from 30-40,000 Tongans living overseas, the GNP totals about $100 million.

Tonga confronts a persistently large trade deficit, which in 1987 equalled one-half of GNP. The deficit is financed by remittances (56%), tourism (24%) and aid (20%). The country's reliance on private and official external transfers limits Tonga's self-reliance. While the government wants to correct this, it admits the situation will not be altered dramatically over the medium term.

B. Economic Prospects

Prospects for continued economic growth in Tonga are good, as all sectors show promising signs. In agriculture, high-value export crops such as vanilla and spices are already yielding impressive results. Fresh fruit and vegetables hold substantial opportunity for both exports and import substitution. Local demand for fish remains high; there are good prospects for increasing fish exports, and the donor-assisted, small-scale fisheries program remains viable. Tourism holds promise, as Tonga can add "stability" to a list of marketable tourist factors, along with the "usual" South Pacific attractions of scenery, climate and lifestyle.

But the greatest growth currently lies in the manufacturing sector. Over 150 new firms have been established since 1980. Several of these can be found at the Small Industry Center (SIC), a government-owned business incubator on Tongatapu. No special incentives are offered to locate at the SIC, but by simplifying the start-up process for small business, the SIC has been a success. It is fully occupied with 22 firms employing over 500 persons, and is in the midst of an expansion that will double employment in two years. There is a waiting list of applications to fill the new center, testifying to the excellent prospects for the manufacturing sector in Tonga.

III. A. Development Problems

While Tonga can point to many successes, it still has several development problems to address:

- lack of trained manpower in all sectors;

- although changing, Tonga remains a price taker for export crops with declining terms of trade;

- size and isolation which inhibit access to markets (commodity, capital and investment);

- significant decline in rural employment due to internal migration to urban areas, which also contributes to a large variation in the intensity of land utilization; and

- inability to fully exploit marine resources due to lack of trained manpower and appropriate technology.

B. RDO/SP Strategy

Tonga has received $5.1 million during the first decade of RDO/SP assistance. This assistance has made a major contribution to cooperative development in Tonga and has supported community development activities in private enterprise and water and sanitation. Fisheries has been a principal beneficiary, primarily in better boat construction. The A.I.D.-assisted regional South Pacific Alliance for Family Health (SPAFH) is located in Tonga.

In all sectors (agriculture, fish, private enterprise) a primary emphasis of the new strategy will be manpower development and adaptation of appropriate technologies:

- in agriculture, the focus will be on marketing efforts to consolidate gains made to date and into new fields (e.g. spices and vegetables). Work will also be done in farming systems research and extension to further increase production;

- in fisheries, training and technology will address constraints in stock assessment, vessel design and marketing, supplemented with small-scale production credit facilities; the program is similar to that proposed for Fiji, except for the inclusion of nearshore resources as well;

- in the private sector, Tonga will participate in the regional small business training program. Trade and investment initiatives contemplated for Tonga include capital markets development. RDO/SP contribution will be the initial feasibility study for capital markets development, seed money, a risk guarantee and technical assistance. Such assistance will be coordinated through existing institutions.

There are no health activities planned for Tonga other than participation in the regional population program.

KIRIBATI

I. Environment for Development

The focus of the Kiribati National Development Plan (1987-1991) is "the sustained development of the health, education, employment and survival of our people." This goal will be difficult to achieve given the limited natural resource base of this small, isolated and fragmented island nation.

Kiribati, one of the most geographically isolated countries in the world, is made up of 33 atolls in the central Pacific Ocean that straddle the equator and the International Date Line. It is sub-divided into three main groups, the Gilbert Islands (16 atolls), the Phoenix Group (8 atolls) and the Line Islands (9 atolls). These atolls rarely rise more than 16 feet above sea level and are composed entirely of coral debris and calcareous structures. They frequently consist of a thin, broken ribbon of land partly enclosing a lagoon. They are widely dispersed within three distinct areas of 200-mile exclusive economic zones (EEZ), which cover 1.4 million square miles of ocean. The total land area of all the islands is around 280 square miles. The population is estimated at 60,000, and growing.

Viability is not only an economic consideration, but also an environmental one. The atoll ecosystem is very fragile, especially as regards fresh water; therefore, increasing population densities are cause for alarm. The Development Plan notes that the population growth rate of 2.1% cannot be sustained and is eroding the viability of the country. The government hopes to contain the migration to Tarawa by increasing economic activity among the other islands.

Health conditions in Kiribati are poor, with infant mortality rates conservatively estimated at 80 - 90/1000. There is a high incidence of diarrheal diseases. Vitamin A deficiency is common. The Ministry of Health

faces severe logistical and manpower limitations, and its absorbtive capacity for any major projects remains poor. It has however appropriately focused its meager resources on primary health care.

Agriculture: Agricultural potential is very limited given the erratic rainfall, thin and porous top soils, a high level of salinity, frequent salt spray and storms. Copra exports of about $4 million annually serve as the primary cash earner for the majority of i-Kiribati (citizens of Kiribati).

Marine Resources: As might be expected in a country with such an extensive sea area, Kiribati has rich marine resources. In addition, Kiribati has a long fishing tradition, making i-Kiribati very skilled sailors and fisherman.

Most fishing is undertaken as a subsistence activity. However, commercial production is being developed at two levels -- small-scale commercial fisheries on Tarawa and Christmas Island, and a capital-intensive, modern tuna-boat fleet owned and operated by the government-owned and operated fishing company, Te Mautari. In addition, some traditional reef and lagoon fish on Tarawa are sold for local consumption, but the vast majority of this catch is for family consumption. These inshore waters are heavily fished and probably over exploited.

The modern private sector is minuscule and is dominated by several individuals and families, who are almost exclusively involved in retailing, importing and repair service. All are either foreign born or of mixed-race origin, which precludes them from being totally integrated into local society and makes the Government hesitant to support their expansion into other areas. The indigenous private sector is limited to small retail shops and services and small-scale fishing and copra production.

A lack of management and financial skills and the absence of an entrepreneurial tradition sharply constrains private sector development.

Traditional society still predominates on the outer islands and is communally oriented. Production is expected to be shared. Official government attitudes towards the private sector are changing, and the government is moving slowly toward a more supportive position. The government is planning to begin a privatization program, which will sell a considerable portion of the country's public enterprises. If this privatization exercise is successful, it would represent a fundamental and positive change in the economic role of government.

II. Economic Performance and Prospects

A. Economic Performance

Until 1979 significant phosphate deposits on Banaba Island were mined. This single natural resource is now depleted, the island abandoned and the people resettled in Fiji. Its legacy is threefold. First, the phosphate mining contributed to the development of a dual economy with a monetized base in Tarawa, a relatively high wage scale and amenities (schools, health services, films) that act as a magnet for increased rural-urban migration. The larger part of the population remained at a subsistence level and derived little if any benefit. The second part of the legacy was the establishment of a reserve fund, capitalized with phosphate receipts. Professionally managed in London and invested in conservative foreign securities, the fund's assets were over $200 million at the end of 1987, a tripling of its worth since 1982. The third element of the legacy is a heightened awareness of the fact that natural resources can be totally depleted.

Between 1979 and 1985, nominal growth of GDP was negative. This was mainly due to the cessation of phosphate mining. If however the figure is adjusted to exclude mining, GDP expanded nominally by an average of 5.0% annually. However, with inflation during this period running at nearly 8% per annum, real growth of GDP was negative. With a population growth of 2.1%, there has been a drastic erosion in real per capita GDP.

Not surprisingly, the contribution of agriculture to GDP was low for the period 1979-1985. Copra was, and still is, the major source of agricultural output. However, due to ecological factors and price instability, copra production has fluctuated from year to year.

Fisheries demonstrated a steady increase in its contribution to GDP, rising from 5.8% in 1979 to 16.5% in 1984, then falling slightly to 15.1% in 1985. Of the total fish and marine resources, commercial fisheries made the largest contribution with over half of the total production.

B. Economic Prospects

Three-quarters of the work force is engaged in subsistence activities, primarily coconut production and fishing. The cash economy is dominated by the central government and public enterprises. Public enterprises are active in a wide range of areas, including some traditionally commercial activities such as retailing, hotels and fishing. Like most other South Pacific nations, Kiribati has persistent large trade deficits on the order of one-quarter of gross domestic product. These are largely financed by aid from Australia and the United Kingdom, workers' remittances, fish licensing fees and interest on the reserve fund.

Official government attitudes towards the private sector are changing, and the government plans a privatization program to sell off the public enterprises, primarily to reduce pressure on the government budget.

III. A. Development Problem

Given its earnings from past phosphate mining, its income from fish licenses and fees and its further potential for exploiting marine resources, Kiribati is capable of reaching self-sustaining growth. It will not reach that goal during the life of this RDSS. The major development problem will be how well it manages its remaining natural resources. A.I.D. can make a major contribution to that effort.

B. RDO/SP Proposed Strategy

The first decade of U.S. assistance provided Kiribati with $2.7 million. Using an integrated community development approach (including village/home improvement, health, education/social development and community organization), A.I.D. assistance has demonstrated that income opportunities can be created and that communities can develop financial resources and entrepreneurial ability through promotion of micro-enterprises. Past assistance has also concentrated on women-in-development activities and institutional development of the national federation of women's organizations. In recent years, fisheries and training have taken on greater importance in A.I.D. assistance.

In the upcoming RDSS period, financing will primarily come through the FFA Tuna Treaty as the government estimated cash receipts from the Treaty will be $1.3 million to $2.3 million a year.

In project activity, RDO/SP will continue to support the work on integrated community development and micro-enterprises that is already underway.

The major new thrust of the Mission's assistance to Kiribati will be the provision of support for a program aimed at addressing long-term issues of marine resource conservation, agricultural food production and environmental protection for atoll communities. Work on the capital atoll Tarawa, which is densely populated, will concentrate on the management of marine resources to maintain food production at optimal levels in the face of increasing fishing presence from the rising population, the role of aquaculture (especially mariculture in enhancing yields from wild fish stocks) the development of new crop technologies to expand agricultural potential and protection and conservation of the fragile atoll ecosystem. The program for Kiritimati Island, the largest atoll in the world, would address the same set of issues, but will work in the context of a largely untouched atoll for which there are major development prospects. Here the emphasis will be on planning and managing development in a way that conserves and where possible enhances the natural resources of the atoll.

Research to be undertaken in such a program will apply to many atolls in the North and South Pacific. The marine resources-related issues which the program will address can be relatively easily defined from past work especially in Tarawa. Definition of the atoll agriculture research needs will be an important component of the proposed region-wide, multi-donor development of an agricultural research agenda.

From the RDO/SP regional programs, increased resources will be allocated for training and specific provision made for assistance for small-business and financial-management training.

COOK ISLANDS

I. Environment for Development

The Cook Islands has an extremely limited and isolated land mass. The land area totals only 96 square miles, which is distributed over 15 islands. Ship transport to New Zealand from Rarotonga (the main island, with one-fourth the land mass and over one-half the population) takes one to two weeks. Although the New Zealand government subsidizes ship transport to the Cook Islands and rates are the lowest in the South Pacific, the cost and time involved in transporting goods to and among the islands is a fundamental obstacle.

The southern islands, including Rarotonga, contain 70% of the population. They have excellent soil and ample rainfall, which allow for the production of a wide range of agricultural produce. On Rarotonga there are a handful of larger farms from 50-250 acres, but most plots are from 1 to 5 acres. The northern islands, which are over 500 miles from the southern group and closer to Western Samoa than Rarotonga, are much drier and have much more limited agricultural potential. Copra is their only agricultural export. Small amounts of fish from some of the outer islands are sold in Rarotonga. Some of the northern islands, however, have lagoons that are particularly well suited for cultured pearl production, especially the rare and expensive black pearl. The Cook Islands have no commercially viable mineral or timber resources.

As part of the Cook Islands' terms of independence from New Zealand, Cook Islanders have the right to work in New Zealand without restrictions. With much greater economic opportunity in New Zealand there continues to be extensive emigration. Over 20,000 Cook Islanders now live in New Zealand compared to 17,000 living in the Cook Islands. A majority of school graduates emigrate, and the resident population is declining even though the birth rate is over 2.5% per year. While this emigration has helped to support Cook

Island incomes and minimize unemployment, the loss of this labor has severely limited local economic development. Agricultural production both for subsistence and cash, which had been the backbone of the economy, has declined over the past 15 years.

The private sector in the Cook Islands owns and operates almost all the commercially viable sectors of the economy. Government involvement is limited to some significant investments in hotels and smaller investments in agro-processing. All of these ventures are operated on a commercial basis. In general the government is supportive of private sector activities. Tax rates are moderate and the foreign investment regime is liberal. However, indigenous Cook Islanders do not have an individualistic entrepreneurial tradition. The meeting of cash needs, rather than profit maximization, is their over-riding business objective. Moreover, they usually lack the most basic management and financial skills.

The agriculture sector is also privately organized. There is a growers' federation on most islands, as well as a Primary Producers' Federation which represents the large growers on Rarotonga. These groups have few resources and are not sophisticated.

II. Economic Performance and Prospects

A. Economic Performance

Economic growth, measured by GDP and per capita GDP, was basically stagnant from 1976 through 1983.

A basic structural change also took place during the 1970's as activity declined in the productive sectors (agriculture, manufacturing and construction) and increased in the service sectors (public administration and tourism).

This structural shift reflected the loss of people through migration to New Zealand, the impact of unfavorable world economic conditions (inflation, currency fluctuations and deterioration in terms of trade) and growth of tourism. Foreign aid and remittances from Cook Islanders in New Zealand and Australia helped to cover the trade deficit.

B. Economic Prospects

Data for 1982-1986, although provisional, indicate that productive activities are recovering. The government, acting on recommendations of the Australian Agricultural Task Force, has revitalized the agricultural sector, especially exports. Agriculture, including fishing, went from a low of 14% of GDP to 20% of GDP. There has been a marked increase in the exports of fresh fruits and vegetables, led by pawpaws, and of copra. Tourism continues to grow and now is 20% of GDP.

Offshore banking facilities have resulted in substantial increased revenues from fees and licenses. The Cook Islands has few exploitable mineral or energy resources. There are no forests except for a small experimental reforestation program. The country has a limited natural resource base in the soils and its marine resources (fish, pearls and possibly deep-sea minerals).

Policies and incentives encouraging private sector developments have initiated an increase in this sector. This growth has been measured with the growth in tourism, agriculture, manufacturing, offshore banking and general ability to generate some degree of economic sustenance.

III. A. Development Problem

A shortage of labor is a basic constraint for the economy and the private sector. With high emigration there is no involuntary unemployment, and wages are quite high by South Pacific standards, around $1 per hour for unskilled labor. Unless incomes on the outer islands can be increased, it will be difficult to change the migration patterns.

Assets of the Cook Islands include:

- good climate and soil, which allow for year-round production of tropical and semi-tropical fruits and vegetables; and

- a small core of sophisticated larger growers, who are able to implement new technologies successfully and who have a good knowledge of export markets.

Key constraints include:

- isolation and corresponding by high transport costs;

- size: except for very specialized products, the Cook Islands cannot produce sufficient amounts on a regular basis with the assured quality which the North American and Japanese markets require; and

- inadequate financial market development that limits the capital available, especially to smaller businesses.

The high per capita GDP conceals the wide gap in incomes among the islands. It is estimated that the per capita GDP of Rarotonga is over 3.5 times higher than the other islands.

B. RDO/SP Strategy

U.S. assistance to the Cook Islands totaled $1.4 million through FY 87. This assistance primarily supported a number of agriculture-related and other community development activities. Training has increased in the past three years, and fisheries assistance has also been important in recent years.

With relatively high levels of development on the capital island of Rarotonga (around 80% of GDP and 60% of population) the Government's development strategy is aimed firmly at outer-island development.

In response, RDO/SP strategy will also target on outer island development in the main RDSS sectors including:

- marine resources, in which RDO/SP will provide technical assistance, training and some equipment for private sector outer-island development in mariculture including pearl-oyster, seaweed and giant-clam culture and fishing. An anticipated long-term program of assistance for management of the pearl oyster farms that have recently been established on Manihiki and for introduction of pearl-oyster farming on two other Northern Islands will be the major component of this program.

- private sector development, in which RDO/SP will provide assistance for farmers on Mauke and/or Atiu Islands in business management training and assistance and improving credit facilities.

- agriculture, where the priority for assistance will be in research, post-harvest technology and pest control on pawpaw for export, and in providing assistance in research and marketing to the group of farmers on Mauke/Atiu with whom the RDO/SP private sector activity will be working.

- increased training assistance.

TUVALU

I. Environment for Development

Tuvalu, the smallest and most densely populated in the RDO/SP region, has very limited natural resources in its 10 square miles of land area and 351,000 square miles of sea area. The country comprises nine atolls, few of which are more than 15 feet above sea level. The land itself is composed of rock, coral and sand with little or no soil in the usual sense of the word. There is no surface water and no forest vegetation. Life can be sustained only by using extreme precaution and highly skilled methods of conservation and management. Even drinking water is dependent on erratic and variable rainfall.

The sustainable population ceiling for Tuvalu is estimated at 10,000 people. With a current population already over 8000 and a growth rate estimated at 2.8%, the country is fast approaching that mark.

Statistics on the human resources of Tuvalu are few, but indicate a relatively literate populace. By the early 1980's primary schools existed on all islands. Vocational training is available at a maritime training school, established with Australian aid.

According to government figures, life expectancy is 57 years for men, 60 years for women. Infant mortality is just over 30 deaths per 1000 live births. Contraceptive prevalence is estimated at 29%.

II. A. Economic Performance and Prospects

With a GDP less than $4 million, Tuvalu appeared destined to be forever dependent upon foreign aid.

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But in August 1987, Tuvalu's ability to meet its recurrent budget needs was assured in a unique way. Through establishment of the Tuvalu Trust Fund, the country will live off investments of a $22 million fund. Managed by Westpac Banking Corporation, the trust is made up primarily of grants from Australia, New Zealand and Great Britain. About $1.6 million a year is expected, based on a low-risk portfolio of fixed interest funds, equity and property.

It appears likely that Tuvalu will use receipts from the Fisheries Treaty as a contribution to the Trust Fund. Treaty receipts are expected to be in the range of $250,000 - $750,000 per year.

B. Economic Prospects

Other than interest from the Trust Fund, prospects for growth in Tuvalu are dim. Export earnings are mainly limited to stamps, fishing fees and copra, and world demand for copra is declining and will continue to do so for at least a decade.

Other agricultural crops are mainly grown for local consumption and are limited by inhospitability of the land. Lack of transport services among the islands of Tuvalu, and between Tuvalu and other countries, is also a major constraint to expanding production for domestic and overseas markets. If transport difficulties can be overcome, there are prospects for exports of frozen fish.

III. A. Development Problem

Size and isolation contribute to most of Tuvalu's development problems. In addition, the country lacks:

- research on crops that can grow in limited atoll environments;

- sufficient assessment of its seabed resources;

- reliable and adequate transportation systems; and

- ability to justify funding any of the above through other than external donor resources.

B. RDO/SP Strategy

Tuvalu has received $1.6 million in U.S. assistance during the FY 77-87 period. This assistance has supported, for example, water and sanitation, institutional development of island planning councils, health education, boatbuilding and handicraft marketing.

The major work being proposed for Tuvalu at this time is successfully introducing the home garden concept and appropriate crop varieties for the atolls.

Tuvalu will also participate in the atoll research and development project based in Kiribati, with the option of discrete atoll research activities being conducted in Tuvalu. The country will also benefit from participation in regional programs in training and family planning. Assistance may be provided for small-scale fisheries development in association with the Fisheries Treaty.

NIUE

I. Environment for Development

Niue, a solitary island, is located due west of the Cooks and east of Tonga. One of the world's largest coral islands, Niue has a land mass of 100 square miles and claims a sea area of around 150,000 square miles. It rises to about 200 feet above sea level, with a rocky and rugged terrain. The steep cliffs along its coastline make landings difficult. Primary forests cover approximately one-fifth of the land area. There is no surface water, but artesian wells enable the subterranean reservoir of fresh water to be tapped for domestic and agricultural purposes. The soil is mainly shallow and poor, but fertile pockets do exist.

It is estimated that fewer than 2500 people now live on Niue, with three times that many Niueans residing in New Zealand. A low birth rate and significant emigration have left the country with a -2.6% population growth rate.

Quality of life for those who remain on Niue is relatively good, due in large part to remittance income from relatives in New Zealand. Life expectancy is 67 years, and infant mortality is a low 11 deaths per 1000 live births.

Education is a mixed blessing, as once skilled, Niueans usually emigrate to New Zealand. With the recent emigration of Niue's only resident with a master's degree, the country now has no one trained above the bachelor's degree level.

II. A. Economic Performance

The economy has remained stagnant owing to the lack of land and resources and to the outward migration of active members of its population.

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Niue is a price taker for its principal export crops of fruits, copra and honey. In 1984 exports earned only six percent of the value of imports, leaving Niue with a trade deficit of about $2.3 million. Aid for the same period equalled $3.2 million or 84% of GDP, leaving Niue with the highest per capita aid levels in the region.

B. Economic Prospects

Prospects for growth are slim, as outmigration continues at the highest rate in the region. No exploitable mineral resources have been discovered. Substantial reserves of valuable timber do exist, consisting largely of rosewood and mahogany. Expansion is also possible in the marine and tourist industries.

III. A. Development Problems

An important goal in Niue's development plan is the stablization of its population. Concurrent with that, Niue faces development constraints of:

- few exploitable resources;
- a lack of trained personnel remaining resident on the island; and
- difficulty of skilled labor in applying expertise as there is little or no equipment to work with.

B. RDO/SP Strategy

Niue has received $126,000 of A.I.D. funding during the first decade of RDO/SP assistance, primarily for community development projects and, recently, for fisheries and training. RDO/SP will continue to finance a limited amount of training, mostly on-the-job or non-degree programs. RDO/SP will also continue to seek opportunities to strengthen local fishing by supporting assessment of Niue's marine resources and improving access to the sea for small-scale fishermen.

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05 INFO ANEA-02 ANAA-01 PIPA-01 APPC-02 PPR-01 GC-01 GCAN-02
06 EVA-01 SMO-02 IT-06 PVC-02 ES-01 OPDA-02 PPE-06 AAID-01
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15 AID/AA/ANE:JCBLOOM AID/AA/PPC:REISSELL
16 AID/ANE/DP:PBENEDICT AID/ANE/PD:RVENEZIA (DRAFT)
17 AID/DAA/ANE:TREESE AID/ANE/DP:NNICHOLSON
18 AID/ANE/AA:LFORMAN AID/PPC/PB:FKANEFICK (DRAFT)
19 AID/ANE/TR:RCOBB (DRAFT)
20 AID/ANE/EA:RGOMEZ (DRAFT)
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38 SUBJECT: REVIEW OF THE SOUTH PACIFIC REGIONAL
39 DEVELOPMENT STRATEGY STATEMENT
40
41 1. SUMMARY: THE SOUTH PACIFIC RDSS WAS REVIEWED AND
42 APPROVED ON THURSDAY, JUNE 23, 1988. THE MEETING WAS
43 CHAIRED BY AA/ANE JULIA CHANG BLOOM. THE RDO WAS
44 REPRESENTED BY DIRECTOR, JOHN WOODS AND TWO MEMBERS OF
45 HIS STAFF, LES CLARK AND PAT LOWRY. REPRESENTATIVES OF
46 ANE/DP, AA/ANE, ANE/TR, ANE/PD, ANE/EA, PPC, S AND T, AND

STATE/EAP WERE IN ATTENDANCE. JAPANESE REPRESENTATIVES BEGAN THE SESSION WITH A PRESENTATION OF THEIR ASSISTANCE STRATEGY FOR THE SOUTH PACIFIC (SEE PARA 13 BELOW). THE NEW PROGRAM WILL FOCUS PRIMARILY ON DEVELOPING INCOME GENERATING OPPORTUNITIES IN MARINE RESOURCES AND AGRICULTURE. IT WILL ALSO ADDRESS RAPID POPULATION GROWTH AND AIDS REGIONALLY, AND SEEK TO IMPROVE RURAL HEALTH STATUS IN PAPUA NEW GUINEA. THE PROJECTS WILL BE SCREENED FOR THEIR EFFECT ON THE DELICATE NATURAL RESOURCE BALANCES IN THE REGION, THEIR

IMPACT ON WOMEN, AND THEIR CONTRIBUTION TO PRIVATE SECTOR DEVELOPMENT.

IT WAS ALSO DECIDED THAT:

(A) RDO/SP WILL PREPARE A MANAGEMENT PLAN FOR SUBMISSION IN CONJUNCTION WITH THE FY 1991 ABS IN MAY 1989. THE PLAN WILL:

- FULLY DEFINE THE AGRICULTURAL PROGRAM INCLUDING AN AGRICULTURAL RESEARCH AND POLICY DIALOGUE AGENDA. (RDO/SP CAN EXPECT AID/W TO PROVIDE SUPPORT AS NEEDED);

-- DETAIL THE PROPOSED PROJECT PORTFOLIO AND RELATED POLICY AGENDA FOR THE OTHER SECTORS;

-- SHOW HOW RDO/SP INTENDS TO MANAGE THE PROGRAM WITH AVAILABLE FUNDS AND STAFF;

-- ADDRESS HOW RDO/SP PLANS TO INTEGRATE PVO'S INTO THE NEW STRATEGY;

-- INDICATE HOW THE NEW PROGRAM WILL ADDRESS THE ROLE AND NEEDS OF WOMEN; AND

-- DEFINE A MANAGEMENT AND EVALUATION INFORMATION SYSTEM.

(B) RDO/SP WILL CONSIDER THE IMPACT OF PROPOSED ACTIVITIES IN THE SMALLER, RELATIVELY RESOURCE-POOR COUNTRIES IN LIGHT OF THEIR COST AND MANAGEMENT BURDEN, AND EVALUATE THEM AGAINST ALTERNATIVE USES FOR THE FUNDS IN LARGER, MORE RESOURCE-RICH COUNTRIES.

(C) RDO/SP MAY SIGN THE BILATERAL AGREEMENT IN FIJI, IF AND WHEN ECONOMIC ASSISTANCE IS RESTORED THERE. IT MAY ALSO REQUEST AUTHORITY TO NEGOTIATE A BILATERAL WITH PAPUA NEW GUINEA, AT AN APPROPRIATE TIME, SINCE A.I.D. STAFF WILL ALSO BE STATIONED THERE. OTHER COUNTRIES SHOULD BE DISCOURAGED FROM REQUESTING BILATERALS.

(D) RDO/SP SHOULD SERIOUSLY CONSIDER MAINTAINING A MECHANISM TO RESPOND TO SMALL ASSISTANCE REQUESTS. THE MECHANISM SHOULD BE FOCUSED ALONG RDSS STRATEGY LINES AND HAVE LIMITED MANAGEMENT AND FUNDING REQUIREMENTS.

THE FOLLOWING PARAGRAPHS DETAIL EACH OF THE ABOVE DECISIONS IN THE CONTEXT OF PROGRAM WEEK DISCUSSIONS.

END SUMMARY.

2. AA BLOCH OPENED THE MEETING BY COMMENDING THE MISSION AND THE AID/W STAFF WHO, OVER THE LAST 12 MONTHS, HAVE CONTRIBUTED TO ANALYSIS OF THE SOUTH PACIFIC PROGRAM. THIS WORK HAS PRODUCED A REASONABLE AND WELL-FOCUSED STRATEGY TO GUIDE USG ECONOMIC ASSISTANCE TO THE SOUTH PACIFIC OVER THE FY1990 TO FY1994 PERIOD.

3. DIRECTOR WOODS FOLLOWED WITH A BRIEF OUTLINE OF THE PROPOSED STRATEGY AND PROGRAM. HIS PRESENTATION CENTERED ON THE DIFFERENCES BETWEEN THE PROPOSED AND EXISTING PROGRAM. HE CHARACTERIZED THE CURRENT PROGRAM AS LACKING IN LONG-RANGE PLANNING AND DIVERSE, WITH NO PARTICULAR FOCUS. IT IS GENERALLY REGIONAL AND HAS AVOIDED COUNTRY SPECIFIC ANALYSIS AND STRATEGY. IT IS HARD TO MANAGE (E.G., 220 MARINE RESOURCES ACTIVITIES ALONE) AND MEASURING PROGRESS AND DEVELOPMENT IMPACT HAS NOT BEEN POSSIBLE.

4. THE NEW STRATEGY WILL FOCUS ON INCREASING INCOME OPPORTUNITIES FOR MEN AND WOMEN THROUGH MEANS WHICH ENHANCE CONSERVATION AND MANAGEMENT OF NATURAL RESOURCES. USING THIS OBJECTIVE THE PROGRAM CONCENTRATES ACTIVITY ON THE COUNTRIES WITH THE MOST POPULATION AND THE GREATEST AGRICULTURE AND/OR MARINE RESOURCE BASE. ACTIVITIES IN THESE TECHNICAL AREAS ARE EXPECTED TO PROVIDE THE MOST SIGNIFICANT ECONOMIC DEVELOPMENT. OTHER ACTIVITIES HIGHLIGHTED DURING THE DIRECTOR'S PRESENTATION INCLUDE:

-- HEALTH: THESE ACTIVITIES WILL BE CONCENTRATED IN PNG, WHERE THE MOST SERIOUS HEALTH PROBLEMS EXIST AND A SIGNIFICANT CONTRIBUTION CAN BE MADE THROUGH A.I.D. ASSISTANCE.

-- POPULATION: THE EMPHASIS WILL BE ON DEVELOPING INSTITUTIONAL CAPACITY THROUGH SPAFF, A REGIONAL PVO.

-- AIDS: ALTHOUGH NOT A SIGNIFICANT PROBLEM YET, THE POTENTIAL FOR SPREAD OF THE DISEASE IS GREAT. RDO/SP NOW HAS THE CHANCE TO MOUNT A REGIONAL EDUCATION CAMPAIGN TO IMPEDE SPREAD OF THE DISEASE.

-- POLICY DIALOGUE: RDO/SP WILL FOCUS ON CREATING THE PROPER POLICY ENVIRONMENT FOR INCREASED COMMERCIAL EXPLOITATION OF THE NATURAL RESOURCES BASE WHILE PROTECTING THE ECOLOGICAL BALANCE. THE ROSS ISSUE WILL BE USED AS A TOOL FOR POLICY DIALOGUE WITH THE (SOUTH PACIFIC BUREAU FOR ECONOMIC COOPERATION) HOST COUNTRY OFFICIALS AND OTHER DONORS.

ESTABLISHMENT OF A PROPER POLICY CLIMATE WILL INFLUENCE HOW THE RDO/SP DIVIDES ITS RESOURCES AMONG THE TEN COUNTRIES, E.G. TONGA WILL RECEIVE ATTENTION BECAUSE OF THE GOOD POLICY CLIMATE THERE. POLICY PROBLEMS IN OTHER COUNTRIES THAT WOULD RESTRICT OR HINDER REACHING THE OBJECTIVES OF THE PROGRAM WILL RESULT IN LESS A.I.D.-FUNDED ACTIVITY.

OVERALL, THE NUMBER OF ACTIVITIES WILL BE REDUCED. FOR EXAMPLE: IN MARINE RESOURCES, FOUR ACTIVITIES IN JUST

FOUR COUNTRIES WILL REPLACE THE 200 SCATTERED SMALL ACTIVITIES OF THE PAST. THIS FOCUS WILL RESULT IN GREATER DEVELOPMENTAL IMPACT AND BETTER MANAGEMENT, INCLUDING IDENTIFICATION AND MONITORING OF MEASURABLE PROGRESS AND RESULTS. WOODS ENDED HIS INTRODUCTION TO THE PROGRAM BY STATING HIS APPRECIATION FOR THE EFFORTS OF ALL THOSE WHO HAVE MADE A CONTRIBUTION TO THIS COLLABORATIVE EFFORT; MISSION STAFF, CONSULTANTS AND A.I.D./W STAFF.

5. THE REVIEW SESSION NEXT MOVED TO CONSIDERATION OF FOUR ISSUES AND THREE CONCERNS IDENTIFIED IN THE ISSUES PAPER.

6. ISSUE 1: HOW CAN THE PROPOSED STRATEGIC GOAL, "TO INCREASE INCOME OPPORTUNITIES FOR MEN AND WOMEN" BEST BE APPLIED TO THE SMALLER COUNTRIES WHICH HAVE A POOR RESOURCE BASE IN THE SECTORS -- AGRICULTURE AND MARINE RESOURCES -- IN WHICH THE MISSION INTENDS TO WORK?

DISCUSSION: WHILE ATTENDEES AGREED THE GOAL SEEMED APPROPRIATE FOR LARGER COUNTRIES WITH AN EXPLOITABLE RESOURCE BASE, THERE WAS SOME QUESTION AS TO ITS APPROPRIATENESS IN THE SMALLER COUNTRIES THAT MAY BE LESS-ENDOWED. THE PAPER DID OUTLINE RESOURCE ALLOCATIONS FOR THE SMALLER COUNTRIES, BUT IT DID NOT SPECIFICALLY INDICATE WHAT IMPACT ON INCREASING INCOME OPPORTUNITIES WOULD BE ATTAINED. WHILE IT IS RECOGNIZED THAT THE WIDE DISPARITY BETWEEN RESOURCE ENDOWMENT AMONG THE COUNTRIES WILL INFLUENCE THE DEGREE OF EXPECTED IMPACT, AA BLOCH ADVISED THE RDO TO ENSURE THAT THE ACTIVITIES IMPLEMENTED IN THE SMALLER, LESS-ENDOWED COUNTRIES MUST NONETHELESS BE DESIGNED TO ACHIEVE A DEFINITE DEVELOPMENT IMPACT AND MUST BE FEASIBLE TO ACCOMPLISH.

DIRECTOR WOODS STATED THAT THE MAJOR PROPORTION OF THE MISSION'S RESOURCES WILL INDEED BE EXPENDED IN THOSE COUNTRIES WITH THE LARGER POPULATIONS, GREATEST RESOURCE BASE, AND DEVELOPMENT POTENTIAL; HOWEVER, THE SMALLER COUNTRIES WILL NOT BE NEGLECTED. EVEN THOUGH THEY HAVE ONLY A LIMITED EXPLOITABLE RESOURCE BASE, THERE ARE OPPORTUNITIES TO INCREASE THE RETURN FROM THE RESOURCES THEY DO HAVE. THIS CAN BE ACCOMPLISHED BY INCLUDING THEM IN ACTIVITIES SUCH AS A REGIONAL TRAINING PROGRAM FOR MANAGEMENT AND BUSINESS TECHNIQUES; MARINE RESOURCE AND PRIVATE SECTOR PROJECTS; AND BY EXPLOITATION OF SPECIAL RESOURCES SUCH AS BLACK PEARLS IN THE COOK ISLANDS.

DECISION: THE STRATEGIC GOAL OF INCREASED INCOME OPPORTUNITIES FOR MEN AND WOMEN IS ENDORSED. AS PROGRAM DEVELOPMENT PROCEEDS AND THE MISSION EXPLORES EFFORTS TO ASSIST THE SMALLER COUNTRIES, RDO/SP IS TO CONTINUE DIALOGUE WITH A.I.D./W. OF SPECIAL INTEREST IS THE RELATIONSHIP BETWEEN ANTICIPATED DEVELOPMENT INPUT AND MANAGEMENT REQUIREMENTS, IMPACT OF THE PROPOSED ACTIVITIES, AND BUDGET COSTS IN RELATION TO ACTIVITIES IN LARGER COUNTRIES.

7. ISSUE 2: WILL THE MISSION BE APLE TO MANAGE THE PROPOSED PROGRAM OF ASSISTANCE WITH THE AVAILABLE

DID NOT REDUCE MISSION MANAGEMENT WORKLOAD; IT IN FACT INCREASED IT. NOW THAT THE NUMBER OF ACTIVITIES WILL BE TRIMMED THE WORKLOAD WILL BE EASIER TO MANAGE.

DECISION: THE MISSION WILL PRODUCE A MANAGEMENT PLAN THAT PROVIDES DETAILS ON JUST HOW THE MISSION WILL PACKAGE ITS ENTIRE PROGRAM OF ACTIVITIES, DEAL WITH POLICY DIALOGUE, AND COLLECT MONITORING AND EVALUATION INFORMATION TO MEASURE PROGRESS AND IMPACT. THE PLAN SHOULD ALSO EXPLAIN HOW CHANGE IN THE ROLE OF WOMEN WILL BE SUPPORTED AND CLEARLY SHOW HOW THE MISSION WILL CARRY OUT ITS MANAGEMENT RESPONSIBILITIES WITH THE STAFF AND FINANCIAL RESOURCES AVAILABLE. THIS MANAGEMENT PLAN WILL BE SENT TO A.I.D./W FOR REVIEW WITH THE FY 1991 ABS IN MAY 1989.

8. ISSUE 3: ARE THE PROPOSED MARINE RESOURCE ACTIVITIES SUFFICIENTLY FOCUSED TO HAVE MEASURABLE IMPACT?

THE RDSS INDICATES A CONCENTRATION OF PREVIOUSLY DISPERSED EFFORTS IN THE MARINE RESOURCES AREA. THE REAL QUESTION HERE WAS WHETHER THIS WAS MERELY REPACKAGING OF WHAT HAS BEEN TO DATE A DISPERSED SET OF SMALL ACTIVITIES OR IS IT REALLY A GENUINE EFFORT TO MOUNT A LIMITED INTENSIFIED CAMPAIGN IN FEWER AREAS TO ACHIEVE SIGNIFICANT IMPACT.

BOTH DIRECTOR WOODS AND LES CLARK, THE RDO'S MARINE RESOURCES EXPERT, EXPLAINED THAT THE INTENTION OF THE PROGRAM IS TO MOUNT ONLY FOUR ACTIVITIES AND ONLY START IN TWO COUNTRIES AT THE BEGINNING OF THE PROGRAM. TWO ADDITIONAL COUNTRIES WILL BE ADDED AS EXPERIENCE IN MANAGING THE FIRST SET OF ACTIVITIES IS GAINED AND THE CONDITIONS ARE APPROPRIATE. ATTENDEES WERE IMPRESSED WITH THE EXPLANATION OF THE MARINE PROGRAM AND AGREE THAT IT IS A SOUND WAY TO EXPLOIT THIS PROMINENT RESOURCE AREA.

DECISION: THE MARINE RESOURCES PROGRAM IS APPROVED. THE MANAGEMENT IMPLICATIONS OF THE PROGRAM WILL BE DETAILED IN THE MISSION MANAGEMENT PLAN. MORE SPECIFICITY ON METHODS OF PACKAGING THE ASSISTANCE, EXPECTED OUTPUTS, AND INTENDED IMPACT WILL BE INCLUDED IN THE PROJECT IMPLEMENTATION DOCUMENTS AND PROJECT PAPERS SENT IN FOR APPROVAL.

9. ISSUE 4: IS THE MISSION'S AGRICULTURE STRATEGY ADEQUATELY DEFINED AND WILL THE PROPOSED AGRICULTURE PROGRAM LEAD TO AN INCREASE IN AGRICULTURALLY-BASED INCOME GENERATION OPPORTUNITIES? HOW WILL ACTIVITIES PROPOSED FOR THE PRIVATE SECTOR HELP TO REMOVE POLICY CONSTRAINTS?

DISCUSSION: PAST ACTIVITY IN THE AGRICULTURE AREA HAS BEEN LARGELY INSTITUTION BUILDING AND TRAINING INTERVENTIONS. THE LARGEST SINGLE EFFORT HAS BEEN REGIONAL (SPRAD); THE RDSS INDICATES THAT THIS IS CHANGING NOW TO MORE COUNTRY-SPECIFIC ACTIVITY EXCEPT IN THE RESEARCH AREA. EVEN IN RESEARCH, THE PROGRAM WILL

FIRST FOCUS ON A CRITICAL NEED: IDENTIFYING DISPARATE RESEARCH UNDERWAY IN THE REGION, ATTEMPTING TO PULL IT TOGETHER UNDER A REGIONALLY-BASED SYSTEM AND EVENTUALLY DEVELOPING A REGIONAL RESEARCH AGENDA.

THE NEED FOR SUCH AN AGENDA IS NOT DISPUTED, AND IS AN AREA WHERE THE UNITED STATES CAN PLAY A LEAD ROLE. HOWEVER, UNLIKE FOR THE MARINE RESOURCES AREA, IT IS NOT CLEAR HOW THE MISSION WILL PACKAGE ITS COUNTRY-SPECIFIC AGRICULTURE ACTIVITY AND WHAT IMPACT CAN BE ACHIEVED. THE MISSION DIRECTOR AGREED THAT ADDITIONAL ANALYSIS AND PLANNING IS NEEDED TO DEFINE THE PROGRAM AND SHOW WHAT IMPACT CAN BE ATTAINED. AS IN OTHER SECTORS, THE PROGRAM WILL FOCUS ON THOSE COUNTRIES THAT HAVE A SIGNIFICANT UNDEREXPLOITED AGRICULTURE RESOURCE BASE AND WHERE OTHER CONDITIONS ARE SUCH THAT INCREASING INCOME OPPORTUNITIES IN THE SECTOR WILL HAVE A MEASURABLE IMPACT. ANALYSIS SHOWS THAT UNLIKE OTHER DEVELOPING AREAS THERE IS A MARKET FOR FOOD CROPS BOTH LOCALLY AND FOR EXPORT AND EVEN SUBSISTENCE FARMERS ARE ENGAGED IN MARKETING. THE PRIVATE SECTOR AND POLICY ISSUES RELATED TO SUCCESS IN THIS AREA MOSTLY CONCERN MARKETING, LAND USE, CREDIT AND TAXATION AND VARY FROM COUNTRY TO COUNTRY. THEY ALL FOCUS ON CREATING THE POLICY CLIMATE CONDUCIVE TO INCREASED ENTREPRENEURIAL ACTIVITY IN THE AGRICULTURE SECTOR. AA BLOCH REMINDED THE RDO OF THE IMPORTANT ROLE OF WOMEN IN THIS SECTOR AND URGED THE MISSION TO FACILITATE POSITIVE CHANGE WHERE POSSIBLE. THE MISSION WAS ALSO ENCOURAGED TO CONSIDER THE POLICY AGENDAS OF OTHER DONORS ACTIVE IN THIS AND OTHER SECTORS.

DECISION: THE AGRICULTURE PROGRAM NEEDS TO BE FURTHER DEFINED. THE RDO IS ENCOURAGED TO UTILIZE ANE RESOURCES TO HELP WITH FURTHER ANALYSIS AND DEVELOPMENT OF THE AGRICULTURE PROGRAM. A FULL DESCRIPTION OF THE AGRICULTURE PROGRAM, INCLUDING AN ANALYSIS OF OPPORTUNITIES AND CONSTRAINTS IN SMALL PRODUCER COMMERCIALIZATION, AN ASSESSMENT OF EXPECTED IMPACT ON INCOMES, A RESEARCH AGENDA IDENTIFYING AREAS OF HIGE PAYOFF AND A POLICY AGENDA, WILL BE INCLUDED WITH THE MANAGEMENT PLAN TO BE RECEIVED IN WASHINGTON IN MAY 1989. BENCHMARKS TO MEASURE PROGRESS IN THESE AREAS SHOULD ALSO BE SPELLED OUT.

10. CONCERN: IS IT APPROPRIATE FOR THE MISSION TO NEGOTIATE AND SIGN ECONOMIC BILATERAL AGREEMENTS WITH THE NATIONS OF THE SOUTH PACIFIC REGION?

DISCUSSION: THE RDSS PROPOSES SIGNING BILATERALS WITH CERTAIN COUNTRIES. CABLE TRAFFIC OVER THE LAST YEAR HAS INDICATED THAT SOME COUNTRIES OF THE SOUTH PACIFIC ARE INTERESTED IN ESTABLISHING SOME SORT OF OFFICIAL AGREEMENT WITH THE UNITED STATES TO PUBLICLY CONFIRM A RELATIONSHIP BETWEEN THE USG AND THE COUNTRY IN QUESTION. THIS ISSUE WAS DISCUSSED AT A SIDE MEETING. THE MOST IMPORTANT CONDITION DETERMINING WHETHER A BILATERAL IS REASONABLE IS THE PERMANENT PRESENCE OF A.I.D. DIRECT HIRE PERSONNEL IN THE COUNTRY WHICH WILL BE A PARTY TO THE AGREEMENT.

DECISION: GIVEN THAT A.I.D. PERSONNEL ARE STATIONED IN FIJI, THE PREVIOUSLY-NEGOTIATED BILATERAL WITH THAT

COUNTRY CAN BE SIGNED IF AND WHEN WE RESUME ASSISTANCE. SINCE PERSONNEL ARE TO BE STATIONED IN PNG, A BILATERAL IS ALSO APPROPRIATE FOR THAT COUNTRY. THE MISSION IS DIRECTED TO DISCOURAGE OTHER COUNTRIES FROM REQUESTING AN ECONOMIC DEVELOPMENT BILATERAL AGREEMENT.

11. CONCERN: HAS THE MISSION PRESERVED THE FLEXIBILITY TO RESPOND TO SMALL REQUESTS FOR ASSISTANCE THAT MAY BE OUTSIDE THE AREAS OF THEIR SECTORAL PROJECTS?

DISCUSSION: THE RDSS DESCRIBES A PROGRAM THAT CONCENTRATES ALL ITS FINANCIAL AND MANAGEMENT RESOURCES ON A FOCUSED PROGRAM IN A SELECTED NUMBER OF SECTORS. THE ACCELERATED IMPACT PROJECT AND OTHER FLEXIBLE SOURCES OF FUNDING ARE BEING PHASED OUT. THIS LEAVES THE MISSION WITH LITTLE OR NO OPPORTUNITY TO RESPOND TO REQUESTS UNLESS THEY FALL WITHIN THE STRICT GUIDELINES TO BE ESTABLISHED FOR THESE PROJECTS. AA BLOCH NOTED THAT THE LIMITED FOCUS OF THE PROGRAM IS COMMENDABLE. HOWEVER, THE TRANSFORMATION FROM A PROGRAM THAT WAS OPEN TO A WIDE VARIETY OF REQUESTS TO ONE THAT ONLY FUNDS PLANNED ACTIVITIES IN A NARROW FIELD MAY BE A BIT ABRUPT.

DECISION: THE MISSION SHOULD ASSURE THAT IT CAN RESPOND TO REASONABLE SMALL REQUESTS THAT MAY BE NECESSARY IN THE TRANSITION PERIOD. SUCH A FACILITY MUST BE LIMITED SO THAT THE MISSION'S ABILITY TO IMPLEMENT A VIGOROUS PROGRAM FOCUSED ON INCREASING EMPLOYMENT OPPORTUNITIES IN THE APPROVED TECHNICAL AREAS IS NOT DIMINISHED. -

12. CONCERN: HOW DOES THE RDO INTEND TO INCLUDE PVOS IN THE PROGRAM?

DISCUSSION: THE RDSS INDICATES THAT THE PVO CO-FINANCING PROJECT WILL NOT BE EXTENDED. THE MISSION INTENDS TO FUND PVO ACTIVITY FROM ITS SECTORAL PROJECTS AND THE ACTIVITIES UNDERTAKEN WILL CONFORM TO THE PROJECT GUIDELINES. AA BLOCH SAID THAT THE EXTENSIVE PVO PROGRAM IN THE SOUTH PACIFIC SUPPORTED BY A.I.D. OVER THE LAST SEVERAL YEARS WAS IMPRESSIVE. PVOS PROVIDED AID WITH ITS INITIAL IMPLEMENTATION MECHANISM IN THE SOUTH PACIFIC REGION AND THEIR PROJECT ACTIVITIES HAVE BEEN THE SOURCE OF OUR SUCCESS. THE PVOS STILL REMAIN A VALUABLE ASSET TO BE EMPLOYED IN THE DEVELOPMENT PROCESS IN THE REGION AND THE MISSION SHOULD MAKE SURE IT UTILIZES THIS ASSET APPROPRIATELY.

DIRECTOR WOODS EXPLAINED THAT THE PVO/CP POLICY INTENDS TO EMPLOY PVOS IN THE PROGRAM AND THAT THERE IS AMPLE OPPORTUNITY TO DO SO. AN EXAMPLE IS A.I. WHICH MAY VERY WELL CONTINUE TO BE MEANINGFULLY INVOLVED IN THE AGRICULTURE PROGRAM. IT IS NOT THE MISSION'S INTENTION TO CONTRACT WITH PVOS. THEY WILL CONTINUE TO OPERATE THROUGH GRANTS. HOWEVER, THE DIFFERENCE WILL BE THAT THE COUNTRY WHERE THE PVO WILL CARRY OUT AN ACTIVITY WILL AGREE TO THE GRANT BY SIGNING THE PIO/T. THEREBY, THE GOVERNMENT WILL UNDERSTAND THAT THE PVO ACTIVITY IS PART OF THE U.S. FUNDED ASSISTANCE TO THE COUNTRY.

DECISION: THE MISSION IS TO CONSULT WITH PVOS ON THEIR ROLE IN THE PROGRAM BETWEEN NOW AND NEXT APRIL. AN

EXPLANATION OF THE ROLE OF THE PVOS; THEIR RELATIONSHIP WITH THE MISSION AND WITH HOST COUNTRIES; AND THE METHODS TO EMPLOY THEM IS TO BE INCLUDED IN THE MANAGEMENT PLAN TO BE SUBMITTED NEXT MAY.

13. THE RDO/SP RDSS REVIEW SET A PRECEDENT FOR THE ANE BUREAU, BY INCLUDING REPRESENTATIVES OF THE JAPANESE AID AGENCIES. ATTENDING THE REVIEW AS AN OBSERVER WAS A REPRESENTATIVE OF THE JAPANESE INTERNATIONAL COOPERATION AGENCY (JICA), MR. TEIZO IGARASHI. A SHORT EXPLANATION OF THE JAPANESE ASSISTANCE PROGRAM TO THE SOUTH PACIFIC WAS PROVIDED BY MR. NAGAMINE, FIRST SECRETARY, JAPANESE EMBASSY, WASHINGTON D.C. MAJOR POINTS OF MR. NAGAMINE'S PRESENTATION INCLUDED:

-- JAPANESE ASSISTANCE TO THE SOUTH PACIFIC HAD STARTED SLOWLY BUT GROWN RAPIDLY IN THE LAST TEN YEARS. LAST YEAR JAPAN PROVIDED APPROXIMATELY U.S. 54.7 MILLION DOLLARS, WHICH REPRESENT 1.4 PERCENT OF JAPANESE ODA. THIS WAS DOUBLE THE LEVEL FOR 1985.

-- ASSISTANCE PRIORITIES ARE HUMAN RESOURCE DEVELOPMENT, FOLLOWED BY AGRICULTURE AND FISHERIES AND

THEN BY PUBLIC SERVICES SUCH AS EDUCATION, HEALTH, TRANSPORTATION AND COMMUNICATIONS.

-- LOANS ARE EXTENDED TO PNG WHILE ALL OTHER COUNTRIES PRESENTLY RECEIVE GRANTS ONLY.

-- A PRINCIPLE CONSTRAINT ON THE JAPANESE DEVELOPING PROGRAMS FOR THE SOUTH PACIFIC IS THEIR LIMITED KNOWLEDGE OF THE AREA. THEY HOPE TO OVERCOME THIS BY INCREASED DIALOGUE WITH THE U.S. AND OTHER DONORS TO THE REGION, E.G. AUSTRALIA, NEW ZEALAND AND THE MULTILATERAL DONORS.

-- THEIR AIM IS TO FUND ONE GOOD PROJECT EACH YEAR IN EACH OF THE LARGER COUNTRIES AND TO SUPPORT MULTILATERAL VENTURES ESPECIALLY IN THE FISHERIES AREA SUCH AS SHARED RESOURCE SURVEYS.

-- THE SMALLER ECONOMIES WOULD BE ASSISTED BY TECHNICAL COOPERATION MOSTLY IN THE FORM OF TRAINING OPPORTUNITIES. WHITEHEAD