



**PACIFIC ISLANDS FORUM SECRETARIAT**

*Excelling Together for the People of the Pacific*

**ECONOMIC GOVERNANCE**

**PROGRAMME STRATEGIC PLAN**

**2009 - 2011**



## **The Leaders' Vision**

Leaders believe the Pacific region can, should and will be a region of peace, harmony, security and economic prosperity, so that all of its people can lead free and worthwhile lives.

We treasure the diversity of the Pacific and seek a future in which its cultures, traditions and religious beliefs are valued, honoured and developed.

We seek a Pacific region that is respected for the quality of its governance, the sustainable management of its resources, the full observance of democratic values and for its defence and promotion of human rights.

We seek partnerships with our neighbours and beyond to develop our knowledge, to improve our communications and to ensure a sustainable economic existence for all.

*The Pacific Plan*



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## 1. Introduction

The Pacific region is unique, complex and diverse. The uniqueness of the Pacific islands stems from the combination of physical characteristics of smallness, isolation and remoteness of Forum island countries. The Forum island countries are not only small but also remote from each other as well as their main markets. The smallness and remoteness is certainly more pronounced than in other similar island regions, for example, the Caribbean and the Indian Ocean islands.

The Forum island countries are not only unique because of their physical characteristics as small island states but also because of the rich cultural diversity of the region. The Pacific is arguably amongst the world's most culturally diverse regions and this has been both a source of strength and pride for its peoples. This also provides a source of economic potential in a number of important sectors, including tourism and traditional knowledge amongst others.

The smallness warrants Forum island countries to co-operate regionally to attain the critical mass needed to overcome the absence of economies of scale. Indeed, regional integration in the Pacific has stemmed more from attempting to address these adverse physical characteristics than it has from the necessities of trade integration. While the very smallness and remoteness necessitates regional and sub-regional solutions, the associated costs of such solutions will have to be borne by the Forum island countries.

These characteristics define and compound the economic vulnerability of the region to external economic shocks. It is in these contexts that the Economic Governance Programme operates.

## 2. Pacific Context and Challenges

**The *Pacific Plan* identified economic growth as one of the four key goals of the Forum. It defined the ingredients for economic growth for the region as: sustainable economic growth, increased trade and investment; improved efficiency and effectiveness of infrastructure development and associated service delivery; and increased private sector participation in, and contribution to, development and decision making.**

The region confronts a rapidly changing economic and commercial context resulting from globalisation and the ensuing proliferation of international standards, norms and regulations that have accelerated over the last decade. The response to this evolving situation will vary with the size, structure and capacity of individual Forum island countries but remains underpinned by their small size and vulnerability. Regionalism underlies the *Pacific Plan*, however, there is no single solution that would enable all the Forum island countries to address the multiplicity of economic and



commercial challenges they face. Therefore appropriate combinations of national, regional and sub-regional approaches are required to address their increasing capacity constraints and ensure that all sectors of society benefit.

In the last five years economic growth rates have generally increased but the region has, to varying degrees, been characterised by weak economic growth in the past with rapidly increasing populations, unplanned urbanisation, poverty, and swelling ranks of young unemployed in most cases.

The adverse global economic climate resulting from the financial crisis of 2008 will have serious flow on effects for Forum island countries throughout the next three years. Specifically this will adversely affect trade, investment, SME development, employment, remittances, availability of development assistance and commodity prices. The expected economic downturn, combined with above average global food and energy prices, will continue to adversely affect households already under financial stress.

It is both a challenge and an opportunity for the Forum to be the leading regional organisation dealing with regional economic and trade policy matters.

### **3. The Programme's Response**

**The Economic Governance Programme extends and coordinates policy advice and technical assistance in support of inclusive economic growth and sustainable development.**

In response to limited national capacities and an increasingly complex international environment, the focus of the Programme is to increase understanding of the challenges facing the region and use its expertise to assist members in the development of appropriate national, sub-regional and regional interventions. This is achieved through the provision of high quality policy and technical advice and research, as well as coordination and implementation of assistance to members.

The Economic Governance Programme will remain responsive to members' requests by providing technical assistance and guidance in areas where they do not possess national capacity. In addition, the Programme will continue to partner with other development agencies to facilitate assistance on economic and trade measures to members where no internal capacity exists within the Programme.

In order to respond effectively to the challenges posed by globalisation, the Programme will continue to support the direct participation of Forum island countries in the global rule setting environment, for example, the WTO in Geneva and other inter-governmental organisations (IGOs).



The Programme will continue to assist member states to improve their investment environments, enhance the competitiveness of small, micro and medium enterprises (SMMEs) and promote the flow of finance to new and existing businesses. The Programme will provide policy and technical support aimed at improving public and private partnerships through collaboration with private sector organisations, including the Pacific Islands Private Sector Organisation (PIPSO), in economic development, trade and investment areas.

Some Forum Island Countries have limited national capacity to gather and disseminate data and information pertaining to their commercial, trade and investment interests. The Programme will, through the Forum Trade Offices (FTOs), provide effective advice and support in order to stimulate trade, regionally and internationally, whilst looking to attract foreign investment into Forum Island Countries.

#### **4. Priorities**

Over the next three years the Programme will promote:

- Regional economic and trade integration and participation in the international economy;
- Enhancement of the key drivers of sustainable growth through supporting economic and regulatory reform, private sector development and trade, investment and infrastructure development;
- Improvement of economic governance in Forum island countries through pooling of resources, and facilitating capacity supplementation and augmentation, for strengthening of appropriate regional arrangements; and
- Capacity building in support of the above priorities.

#### **5. Goal**

**To support members to achieve higher levels of economic prosperity.**

#### **6. Objectives**

**To assist members to achieve deeper regional economic integration, increased private sector development, trade and investment, and sustainable economic growth through the provision of more efficient and effective services to members.**

**To assist members to enhance the key drivers of sustainable economic growth through supporting economic and regulatory**



reforms, private sector development, trade, investment and infrastructure development; and

To assist members improve economic governance in Forum island countries.

## 7. Outputs and Key Performance Indicators

### COMPONENT 1: ECONOMIC REFORM AND INFRASTRUCTURE

**Output 1.1: Provide relevant high quality advice and support in economic reforms and economic infrastructure, and support for regional and/or sub-regional solutions in the areas of infrastructure and economic growth**

The main activities, key performance indicators and means of verification over the planning period will include:

	<b>Activities</b>	<b>Key Performance Indicators</b>	<b>Means of Verification</b>
1.1.1	Support for Forum Economic Ministers Meeting (FEMM) and other related Ministerial Meetings, policy and dialogue processes.	Provision of high quality and timely advice and support to FEMM; and  Successful completion of FEMM and other related Ministerial Meetings.	Feedback from meeting participants;  FEMM Action Plans. and meeting outcomes documents; and  Formal feedback from stakeholders.
1.1.2	Policy support for regional economic Integration and <i>Pacific Plan</i> Initiatives.	Mandates of FEMM, and relevant ministerial meetings delivered;  Diagnostic, feasibility and design documents prepared and consultations held with relevant stakeholders.; and  Better stakeholder understanding of regional initiatives, and the benefits derived.	Relevant reports;  Feedback from members;  Report back to Leaders and other relevant meetings;  Stakeholder consultation and meetings outcomes; and  As appropriate, establishment or strengthening of institutional mechanisms.
1.1.3	Policy support for temporary movement of labour.	Successful facilitation of labour mobility schemes.	Relevant reports;  Feedback from members; and  Stakeholder consultation and meetings outcomes.



1.1.4	Policy support for, and continuing advocacy of, Forum initiatives in the areas of economic infrastructure.	Provision of effective policy support and advocacy for Forum initiatives in the areas of economic and infrastructure.	Relevant reports;  Formal feedback from members; and  Stakeholder consultation and meetings outcomes; and  Report back to Leaders and other relevant meetings.
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## **COMPONENT 2: TRADE POLICY AND ECONOMIC INTEGRATION**

### **Output 2.1: Provide relevant high quality policy advice, capacity building assistance and support for strengthened regional economic integration and trade facilitation measures.**

The main activities, key performance indicators and means of verification over the planning period will include:

	<b>Activities</b>	<b>Key Performance Indicators</b>	<b>Means of verification</b>
2.1.1	PICTA negotiation and implementation.	Achievement of the milestones set out in PICTA and PICTA trade in services.	Notification letters.
2.1.2	PACER/RTFP implementation.	The timely and effective performance of the functions of the PIFS under the Agreement, especially: (a) Articles. 17 and 23; and b) those relating to the RTFP, especially Annex I.	Recommendations made to PACER Parties; Actions taken to implement decisions of PACER parties, and all Forum members with respect to the RTFP; and  Annual reports to Forum members.
2.1.3	Policy support for Trade Policy Formulation.	Timely and effective advice and support provided to FICs in analysing, formulating and implementing National Trade Policy Frameworks (NTPF); and establishing and/or strengthening the National Trade Policy Advisory Committees (NTPAC).	National Trade Policy Frameworks formulated;  Effective National Trade Policy Advisory Committees; and  Reports from national consultations in FICs.
2.1.4	Policy support for intellectual property rights (IPR) and traditional	Achievement of the milestones set out in the TK Action Plan;	Legislation, regional treaty;



	knowledge (TK).	Approval of the recommendations of the feasibility study for the regional body for TK and IPRs; and  Establish regional system to administer trademarks.	Trade Minister's Outcomes documents;  MOU establishing regional system; and  Accession to MOU by countries.
2.1.5	Support for sub-regional trade cooperation arrangements.	Quality technical assistance and trade policy advice provided to the Micronesian Trade Committee (MTC) and the freely associated states (FAS) on various trade and trade-related issues; and  Provide quality advice and technical assistance to the Melanesian Spearhead Group (MSG) on matters pertaining to EDF 10 funding and MSG agreement upon request.	Outcomes documents of the MTC and reports from FAS;  Reports from consultations/meetings;  Outcomes document of the MSG;  Letter of acknowledgement for assistance; and  Implementation of activities with EGP assistance.
2.1.6	Policy support for financial sector and fiscal reform.	The Forum island countries capacity to manage the process of regional integration in the area of Financial Sector and Fiscal Reform is developed.	Mission reports;  PACPTMM and relevant workshop outcomes documents; and  Forum island country policy documents and legislation.
2.1.7	Policy support and advocacy for a single regional market.	Approved TORs of the Regional Single Market study; and	Outcomes of FIC Trade Ministers Meeting directing the way forward on the regional single market

**Output 2.2: Provide high quality policy advice, capacity building assistance, representation as specifically mandated, and technical support in multilateral and other trade relations.**

The main activities, key performance indicators and means of verification over the planning period will include:

	<b>Activities</b>	<b>Key Performance Indicators</b>	<b>Means of verification</b>
2.2.1	Representation and policy advice in WTO and other	Number of Pacific/small and vulnerable	Pacific ACP Trade Ministers Outcomes



	IGOs.	economies (SVE) proposals or regional positions endorsed and submitted to WTO;  Efficient operation of Forum Representative Office;  Efficient management of the Rotating Representatives scheme; and  Strategic partnerships on common interests (e.g. SVEs, ACP, LDCs).	documents;  FIC-WTO Working group meeting outcomes documents;
2.2.2	EPA negotiation and implementation.	Timely and effective support to PACPS in negotiation, implementation and subsequent deepening of the EPA, including acting as depositary as appropriate.	Proposals to PACPS to improve negotiating text;  Negotiated text;  Proposals to deepen EPA; and  Reports to PACPS on EPA negotiations and implementation.
2.2.3	Advice and support for FTAs and other trade arrangements.	Timely and effective support provided to FICs in:  developing proposals for a regional position on the FICs-China FTA; and  launching a road map in 2010 and commencing negotiations.	Proposals for a regional position on the FICs-China FTA submitted to the next PACPTMM;  A road map launched by 2010 and commencement of negotiations; and  PACPTMM outcomes documents.

### COMPONENT 3: PRIVATE SECTOR DEVELOPMENT

#### Output 3.1: Provide relevant high quality policy advice and technical support for private sector development, investment policy and promotion, and import management.

The main activities, key performance indicators and means of verification over the planning period will include:

	Activities	Key Performance Indicators	Means of Verification
3.1.1	<b>Business Development</b> Capacity building and Business skills	Completed workshops on identified weaknesses;	Workshop reports;



	workshops  Strengthen the capacity of the Business Development Agencies (BDAs) in the FICs  Establish network for the BDAs and business community in the form of the Pacific Center for Excellence in Business (PCEB) to provide business tools, mentoring, training, and other business advisory services to SMMEs	Secured resources for development of BDAs; and  Secured resources for PCEB.	Enhanced BDA; and  Established PCEB.
3.1.2	<b>Product Development</b> Workshops on value adding to products, value chains and sectoral linkages in agriculture, marine, culture (e.g. handicraft) and tourism on national, sub-regional and regional levels.	Completed workshops.	Workshop reports.
3.1.3	<b>Public Private Partnership (PPP)</b> Coordinate meetings and workshops to enhance PPP in the FICs in collaboration with PIPSO.	Completed workshops and meetings.	Meeting and workshop reports.
3.1.4	<b>Funding Schemes</b> Marketing Support Fund (MSF)  Industrial Development & Training Programme (IDTP)	All funds allocated.	Reports from beneficiaries.
3.1.5	<b>Import management</b> Provide policy advice to key stakeholders, on establishing the Pacific Petroleum Project and also facilitating import management of essential food, energy and pharmaceutical products.	Studies on the supply of imported goods to the FICs completed.  Economic regulation of energy suppliers in FIC strengthened.  Trade support capacity especially on food, energy and pharmaceuticals imports developed.	Market Intelligence reports published for Pacific Fuel price monitor.  International market database for petroleum products maintained and disseminated to interested parties.
3.1.6	<b>IP &amp; TK Support</b> Provide assistance for development of cultural products and industries	Ongoing awareness meetings and campaigns.	Meeting reports.



	such as handicrafts, music, etc., and create awareness opportunities of IPR and TK in the FICs.		
3.1.7	<b>Investment</b> Provide advice and guidance on investment policy, promotion and implementation.	Improvement in the investment environment.	Measures aimed at increasing the levels of domestic and/or foreign investment being introduced by FICs.

**Output 3.2: Provide trade and investment development opportunities between Forum island countries and the host countries of the regional trade offices.**

The main activities, key performance indicators and means of verification over the planning period will include:

	<b>Activities</b>	<b>Key Performance Indicators</b>	<b>Means of Verification</b>
3.2.1	Assist FIC exporters through effective development and trade promotion activities.	The number of business's who report improved export.	Client verification.
3.2.2	Identification and promotion of investment opportunities.	The number of clients reporting increased level of investment interest.	Quarterly reports from Forum Trade Offices.

## 8. Partnerships

The Economic Governance Programme's most important partners are member governments. Also necessary for the successful work of the Programme are international organisations, other CROP agencies and various development partners.

The single largest source of funding for the activities of the Programme is from the European Union funded Pacific Regional Economic Integration program (PACREIP). The importance of PACREIP for the work of the Programme means that working in partnership with the EU is fundamental across the entire Programme.

The area of trade work is progressed in close partnership with the relevant ministries responsible for trade within member governments, as well as international organisations such as the World Trade Organisation, the International Trade Centre, UNCTAD and the South Centre. The Commonwealth Secretariat collaborates with the Programme across all areas of work, however the Commonwealth-funded Hub and Spokes scheme, housed within Forum Secretariat, makes the Commonwealth Secretariat a particularly important partner for the Programme's trade work. The Hub and



Spokes scheme is an important initiative which significantly increases the capacity of trade departments within member governments and strengthens relations between the Forum Island Countries and the Secretariat.

Work on the temporary movement of natural persons (TMNP) involves collaboration internally in partnership with the Governance Adviser as well as externally with a range of agencies, including the Secretariat of the Pacific Community and the World Bank.

Advancing work on ICT requires close partnerships with the Secretariat of the Pacific Community as well as the International Telecommunication Union and ESCAP. All CROP agencies certainly have an active role in supporting infrastructure development, including the implementation of specific regional initiatives such as aviation safety, maritime standards and Digital Strategy.

Key partners in the Economic Growth Programme include the Finance ministries, Central Banks, Auditor-Generals, statistics, customs, financial supervisory agencies and regulatory authorities of members' national governments as well as international partners such as the Asian Development Plan, International Monetary Fund, and the Pacific Financial Technical Assistance Centre, World Bank, Oceania Customs Organisation and the Pacific Aviation Safety Office.

The Government of Japan provides funding for work on private sector development, and the People's Republic of China provides support for a range of activities. In support of those members that recognise the Republic of China, the Programme also works with the relevant government agencies to progress trade relations between the Republic of China and Forum members.

## **9. Inputs**

Details of the Economic Governance Programme's budget for 2009 are provided in the 2009 budget and work programme. Predictions for 2010 and 2011 will fund key activities consistent with the Programme's priorities, goal and objectives. The 2010 and 2011 indicative budgets reflect the anticipated expansion of the Economic Reform and Infrastructure component which stem from the mandates of the Forum Economic Ministers Meeting on regulation as well as growth of temporary movement issues which will move from the Trade Policy and Economic Integration component to Economic Reform and Infrastructure.

A decrease in Trade Policy and Economic Integration reflects the anticipated end of the EPA negotiations in coming months although work on EPA implementation, PICTA negotiations and the development of trade relations with China is expected to result in a substantial programme in this area continuing.

A significant increase in the area of Private Sector Development stems from the anticipated collaboration with the EU's Centre for Development of



Enterprise (CDE) which will in turn create a private sector unit that will be overseen jointly by the Secretariat, PIPSO, CDE and other donors.

Component	2009	2010	2011
1. Economic Reform and Infrastructure	1,676,858	2,100,000	2,400,000
2. Trade Policy & Economic Integration	7,249,018	5,900,000	5,700,000
3. Private Sector Development	5,894,677	7,400,000	8,100,000
<b>Total</b>	<b>14,820,554</b>	<b>15,400,000</b>	<b>16,200,000</b>

## 10. Summary

To enable the Economic Governance Programme to measure the effectiveness of its work, and the extent to which it has achieved its goal of building the capacity of the Forum island countries it will be necessary to carry out an independent assessment of current capacity levels across all Forum island countries in the area of economic governance. This independent assessment will provide a baseline against which progress can be measured and the effectiveness of the programme evaluated.

Goal
To support members to achieve the goal of higher levels of economic prosperity.
<b>Key Performance Indicator:</b> Improved capacity of members to achieve higher levels of economic prosperity.
<b>Means of Verification:</b> Independent assessment and self-evaluation of capacity of members in the area of economic governance.

Objectives	Key Performance Indicator	Means of Verification
To assist members to achieve deeper regional economic integration, increased private sector development, trade and investment, and sustainable economic growth through the provision of more efficient and effective services to members.	The quality, effectiveness and efficiency of policy advice and support provided to members in the relevant areas.	Independent assessment including members' evaluation;  Relevant meeting outcomes documents and action plans; and  Extent of adoption of advice/assistance.
To assist members to enhance the key drivers of sustainable economic growth through supporting economic and regulatory reforms, private sector development, trade and investment and infrastructure development.	The quality, effectiveness and efficiency of policy advice and support provided to members in the relevant areas	Independent assessment including members' evaluation;  Relevant meeting outcomes documents and actions plans; and  Extent of adoption of advice/assistance.



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To assist members to improve economic governance in the Forum island countries.	The quality, effectiveness and efficiency of policy advice and support provided to members in the relevant areas.	Independent assessment including members' evaluation;  Relevant meeting outcomes documents and action plans; and  Extent of adoption of advice/assistance.
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<b>Components and Outputs</b>	<b>Key Performance Indicator</b>	<b>Means of Verification</b>
<b>Component 1: Economic Reform and Infrastructure</b>		
1.1 Provide relevant high quality advice and support in economic reform and economic infrastructure, and support for regional and/or sub-regional solutions in the areas of infrastructure and economic growth.	The quality, effectiveness and efficiency of policy advice and support provided to members in the relevant areas.	Independent assessment including members' evaluation;  Relevant meeting outcomes documents and action plans; and  Extent of adoption of advice/assistance.
<b>Component 2: Trade Policy and Economic Integration</b>		
2.1 Provide relevant high quality policy advice, capacity building assistance and support for strengthened regional economic integration and trade facilitation measures.	The quality, effectiveness and efficiency of policy advice and support provided to members in the relevant areas	Independent assessment including members' evaluation;  Relevant meeting outcomes documents and action plans; and  Extent of adoption of advice/assistance.
2.2 Provide high quality policy advice, capacity building assistance, representation as specifically mandated, and technical support in multi-lateral and other trade relations and trade facilitation measures.	The quality, effectiveness and efficiency of policy advice, capacity building assistance, representation and technical support provided to members in the relevant areas.	Independent assessment including members' evaluation;  Relevant meeting outcomes documents and action plans; and  Extent of adoption of advice/assistance.
<b>Component 3: Private Sector Development</b>		
3.1 Provide relevant high quality policy advice and technical support for private sector development, investment policy and promotion, and import management.	The quality, effectiveness and efficiency of policy advice and technical support provided to members in the relevant areas.	Independent assessment including members' evaluation;  Relevant meeting outcomes documents and action plans; and  Extent of adoption of



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3.2 Provide trade and investment development opportunities between Forum island countries and the host countries of the regional trade offices.	The quality, effectiveness and number of trade and investment development opportunities progressed between Forum island countries and host countries of regional trade offices	advice/assistance Client verification; and Quarterly reports from Forum Trade Offices.
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