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# TRENDS AND DEVELOPMENTS

An E-Newsletter of the Economic Growth Work Programme,  
Pacific Islands Forum Secretariat

*...discussing recent work, meetings, and issues of interest to the region...*

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## FORUM ECONOMIC MINISTERS' MEETING (FEMM) 2006

The tenth meeting of the Forum Economic Ministers' was held in Honiara, Solomon Islands from 3-5 July 2006. FEMM was attended by Ministers and Heads of Delegation from all 16 Forum members, as well as representatives of observer organisations.



Ministers at the 2006 FEMM

2. Ministers recalled the vision of the Forum Leaders that economic growth is the basis for higher sustainable living standards for all the peoples of the Pacific. Forum Island Countries (FICs) face numerous constraints to growth and are at different stages of development, requiring both appropriate regulatory frameworks and active economic development strategies.

3. They reaffirmed their responsibility to provide leadership on regional economic integration and agreed that FEMM must facilitate the implementation of the Pacific Plan, particularly in areas pertaining to economic growth and good governance. This was seen as crucial in supporting the Leaders' Vision of *"a region of peace, harmony, security, and economic prosperity, so that all its people can lead free and worthwhile lives"*.

### Economic Growth: Lessons from the Last Ten Years, and Challenges and Opportunities

4. Ministers noted the economic growth performance of the FICs over the last ten years, the lessons learnt from this experience, some of the important challenges that the region will have to face, as well as the opportunities it can take advantage of, in order to propel growth over the medium term.

5. They also welcomed the presentations by their colleagues from the Cook Islands, Kiribati, Papua New Guinea and the Solomon Islands on their experiences, and their efforts to improve economic growth. In doing so, the Ministers:

- (a) **reaffirmed** the FEMM 2005 mandate to maintain a standing agenda item on regional economic integration to explore and advance the opportunities presented by regionalism; and
- (b) **agreed** that implementation of the Pacific Plan, which has already been agreed to by Leaders, should be a key tool used in prioritising regional actions to address the challenges and opportunities that lie ahead for economic growth in the region.
- (c) **noted** that climate change was seen as a threat to economic prosperity and **directed** the Forum Secretariat to report to the 2007 FEMM on this.

### 2006 Biennial FEMM Stocktake

6. The Ministers noted the 2006 Biennial FEMM Stocktake which highlighted the status of the implementation of FEMM decisions in FICs, particularly over the past two years, in the areas of good governance, economic reform, financial reform and public enterprises.

7. Ministers welcomed the efforts of all fourteen FICs in responding to the stocktake survey. This response formed a very strong basis for a review of implementation of FEMM decisions in the key reform areas.

8. They noted that FICs have progressed the furthest in the implementation of the Forum Eight Principles of Accountability, with significant movement over the last two years. The implementation of the FEMM principles relating to financial and economic reforms appear to be progressing well, although Ministers noted that the least implementation has occurred in the progress towards best practice principles for public enterprises.

9. Ministers noted that member countries consistently highlighted the shortage of technical skills as the most common constraint to the implementation of FEMM commitments in every area under review. The Smaller Island States (SIS) emphasised insufficient levels of human resources as a consistent critical barrier to implementation.

10. In noting the overall progress on the principles, Ministers:

### **Good Governance**

- (a) renewed their commitment for the implementation of an effective accounting system, in cognisance of capacity constraints, which is capable of providing relevant and accurate information for decision makers throughout the multi-year budget process in a timely fashion;
- (b) recognised the vital role Public Accounts/Expenditure Committees play in sound financial management and urge efforts to raise their effectiveness;
- (c) recognised the need for improved mechanisms for systematic audit

- (d) follow-up and the increased timeliness of audit reports; and recognised the need to promote access to official information for strengthening transparency and accountability.

### **Economic Reform**

- (e) prioritised as a matter of urgency the upgrading of their statistical offices and agreed that options for greater regional assistance with statistical functions; and
- (f) agreed that economic reforms be approached in a pragmatic manner, cognisant of domestic capacities, ensuring that stakeholder consultation mechanisms are operational, and formulating a roadmap for implementing the reforms.

### **Financial Sector Reform**

- (g) recognised that prudential regulation and supervision of the financial sector, in its broadest sense, remains problematic in SIS members; and
- (h) reaffirmed the commitment to implement financial sector reforms and requested the relevant regional organisations and development partners for continued support through the provision of financial and technical assistance needs.

### **Public Enterprises Reform**

- (i) recognised the need to develop a coherent and holistic policy towards public enterprises which should touch upon objectives in ownership and management, community service obligations, regulation, performance monitoring, and impact assessment of reforms, amongst others;
- (j) acknowledged the primary role of government in the public

enterprises sector as the establishment and administration of appropriate regulatory systems and agreed to explore options for better management of limited skilled human resources including centralised national and regional mechanisms;

- (k) reaffirmed the commitment to adopt a standard approach to community service obligations (CSOs) demanded of public enterprises, with the assistance of donor partners, and drawing on the experiences of other FICs in the management of CSOs; and
- (l) recognised that monitoring of both financial performance and service quality of public enterprises against appropriate national and international benchmarks needs to be strengthened.

11. Ministers placed continued emphasis on capacity building — both in terms of transferable technical skills and management processes — to support the implementation of reform endeavours as endorsed by FEMM. They also promoted wider consultation in policy matters, and encouraged the timely production of economic and social statistics to support better outcomes.

12. Ministers encouraged members to use their stocktake responses as a basis to approach development partners for technical and financial assistance with implementation, and directed the Secretariat to assist with this process.

13. Economic Ministers:

- (a) **agreed** to consider the development of regional support to audit services to improve integrity and financial scrutiny.
- (b) **agreed** to undertake a pre-feasibility study for a regional customs service for reporting back to FEMM in 2007.

- (c) **agreed** to carry out a study, as soon as possible, to progress the upgrading of country and regional statistical information services systems and databases.
- (d) **agreed** to a scoping study, as soon as possible, for the development and adoption of best practice models on financial regulation.
- (e) **agreed** for the conduct of a scoping study to consider the establishment of an accountable and independent macro-economic and micro-economic technical assistance mechanism.
- (f) **endorsed** FEMM's ongoing monitoring of performance in implementation of its decisions through a repetition of the biennial stocktake in 2008; and
- (g) **directed** the Secretariat to review the current stocktake questionnaire in order to include monitoring the effectiveness of the principles endorsed by past FEMMs.

#### **Pacific 2020**

14. Ministers noted the key proposals offered in the *Pacific 2020* report aimed to accelerate economic growth in Pacific island countries including the four key themes relating to the need for good governance, strengthening infrastructure, further developing economic integration and regional cooperation and strengthening the focus on implementation. The report provides practical options for consideration by Pacific policy makers to support national and regional planning, consistent with the objectives of the Pacific Plan. The meeting noted the offer by Australia to provide further information on Pacific 2020, to further the dialogue on key issues highlighted by

the report, including through in-country presentations.

### **Labour Markets, Economic Development and Regional Economic Integration**

15. Ministers noted the importance of well-functioning labour markets to support economic growth, and the need to balance the goals of labour policy – static efficiency, dynamic efficiency and social justice.

16. They recognised that labour markets could perform better in matching worker skills to jobs, and in utilising labour to its maximum potential in propelling economic development. Labour market policies and legislation appears to play a significant role in generating these inefficiencies.

17. Ministers recognised that there are also a number of other key factors contributing to the labour market outcomes in the region that are unrelated to labour market policies or legislation. These include population dynamics such as birth, death and migration rates; education policies; the domestic investment climate; the impact of globalisation; and attitudes towards gender roles, to name a few.

18. They identified actions at both the national and regional levels to promote better functioning of the FICs labour markets. At the national level, a number of policy guidelines were noted that could improve the contribution of labour to economic development. This is in recognition that the Pacific's human resources are perhaps the most important asset of the region and could be better utilised. These guidelines include:

(i) Stakeholders, including employers and unions should be consulted in the formulation of labour market policy;

(ii) Gender equality should be implemented in employment law and practice;

(iii) Labour market policies should be an integrated part of overall national development strategies and economic reform efforts;

(iv) The availability of labour market information is fundamental to making informed choices and appropriate policies; and

(v) National labour policies should reflect the important role played by both the informal and formal sectors.

19. At the regional level Ministers reiterated the potential benefits of labour mobility between Forum members, whilst recognising the importance of domestic policies in promoting sustainable growth. The Ministers requested further examination of the costs and benefits of the temporary movement of labour under PICTA, MSG, and EPA, and to have this issue considered under the PACER impact study as well. The Ministers **directed** the Secretariat to provide an update by FEMM 2007.

### **Regulation and Regional Economic Integration**

20. Ministers noted that the Secretariat has begun work on scoping out the Regional Regulatory Blueprint. This has included a stocktake of economic regulation that currently exists in the region in the areas of Foreign Investment, Competition, Access and Price Regulation, and Consumer Protection and Fair Trading.

21. They noted the broad rationale for the introduction of economic regulation which is to correct market failures so that optimal efficiency in production, pricing and economic welfare is achieved.

22. Ministers considered the broad range of factors that inhibit the

effectiveness of economic regulation in the region. The most important are:

- (i) **Technical capacity and institutions**, which includes lack of analytical and technical skills and expertise at both policy and delivery phases;
- (ii) **Governance**, which includes lack of adequate consultation with stakeholders and inadequate attention to the needs of all sectors, particularly the broader community;
- (iii) **Lack of financial resources** for policy makers, legal draftspersons and regulators; and
- (iv) **Legal environment**, which includes inappropriate legislation, and the absence of alternative dispute resolution processes.

23. In recognition of these regulatory impediments, Ministers identified policy guidelines for economic regulation which could help FICs make economic regulation more effective at the national level. These include:

- (i) The objective of the regulation should fit within the FICs overall economic development strategy;
- (ii) Where appropriate the regulator should be independent of government;
- (iii) An appropriate policy and legislative review process should be undertaken periodically; and
- (iv) In line with earlier FEMM decisions, greater efforts need to be made to undertake consultations with relevant stakeholders, including the private sector, on economic regulation issues.

24. Ministers noted that work undertaken by the Secretariat so far has indicated a wide range of areas where there may be potential for regional co-operation and regional provision of services. As such they **directed** the Secretariat, in co-ordination with development partners, to undertake further research and consultation with FICs. This work should scope the type of support that could be provided at the

regional level, in order to complement existing national priorities and policies. It would include a closer examination of the option of an integrated regional advisory service to provide regulatory support in areas of Foreign Investment, Competition, Access and Price Regulation, and Consumer Protection and Fair Trading. Ministers **directed** the Secretariat to report back to FEMM 2007 with concrete options for progress.

25. Ministers also **agreed**, in principle, that member countries share information, and where appropriate provide technical assistance to assist each other to improve regulatory policy outcomes, and direct the Forum Secretariat, in co-ordination with development partners, to facilitate this process.

#### **Eastern Caribbean Telecommunications Authority – A Regional Approach to Regulation of the Telecommunications Sector**

26. Ministers welcomed the presentation on the lessons and success factors of the Eastern Caribbean Telecommunications Authority (ECTEL), which highlighted the regional approach taken to liberalise and regulate the telecommunications sector in five countries in the Eastern Caribbean region. They noted the positive outcomes of the telecommunication sector reforms in the Eastern Caribbean region, in terms of lower prices and improved quality of services.

27. Ministers expressed their strong support for examining in greater detail the applicability of the ECTEL model to the FIC region. They **referred** the ECTEL case study to the Forum Information, Communication and Technology (ICT) Ministers, through the Task Force on Regional Approaches to ICTs in the Pacific, for further examination and requested a report back to FEMM in 2007. Ministers noted the offer of technical expertise made by Australia.

## Costs of Doing Business in the Pacific

28. Ministers, in noting the crucial role of the private sector for creating growth and jobs, and whilst recognising that comprehensive economic strategies are the business of each member country, agreed that they have an individual and collective responsibility to ensure that a business friendly regulatory environment is given priority.

29. Ministers welcomed the progress made by member countries as suggested by the 2006 Doing Business report and the preliminary data for the 2007 report. They were also apprised, through country case presentations, of the positive developments in Fiji, Federated States of Micronesia, New Zealand and Vanuatu. Ministers also noted the contribution by the Pacific

Islands Private Sector Organisation (PIPSO) and welcomed its offer to work in partnership with national Governments in progressing reform efforts.

30. Ministers **agreed** to share country experiences with reforms of business regulation and where applicable provide technical assistance based on successful implementation experiences. They renewed commitments to take steps at the national level and with the support of the Secretariat and development partners, identify, simplify and overcome regulatory bottlenecks in order to improve progress towards halving regional indicators by 2007. Ministers reiterated the need for technical assistance to assist with more rapid progress towards these targets.

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*PIFS staff at FEMM in Honiara, Solomon Islands*  
(L-R (Top): Sanjesh, Lai, Ulafala, Semesa, Johnson)  
(L-R (Bottom): Adi, Laura and Rave)



**FEMM CHAIR'S STATEMENT DELIVERED AT THE 2006 SPREP  
(PACIFIC REGIONAL ENVIRONMENTAL PROGRAMME)  
ENVIRONMENT MINISTERS' MEETING**

**Economic Ministers have been very receptive to the consideration of economic development from an environmental perspective given the important contribution of natural resource sectors to economic growth, and in recognition that the environment is a fundamental part of the region's identity.**

2. This statement was delivered at the 2006 Environment Ministers Meeting held in Noumea by Mr Vito Lui, Deputy Director for SPREP, on behalf of the Chair of the 2006 Forum Economic Ministers Meeting (FEMM), Hon. Gordon Darcy Lilo Minister for Finance of the Solomon Islands, who was unable to attend.

3. The invitation to the Chair of FEMM to address the Environment Ministers Meeting continued an arrangement of reciprocal invitations which commenced during the regional preparations for the World Summit on Sustainable Development in 2002.

4. The FEMM Chair's statement noted that FEMM has long recognised the potential of natural resource sectors to lift and sustain economic growth in our region. However, raising the productivity of these sectors, whilst critical, must be sustainable. This provides an important consideration for the Environment Ministers in terms of overseeing the management of our resources from an environmental perspective.

5. The statement emphasised, however, that further collaborative measures needed to be considered in the context of the ability of the FEMM to effectively manage the range of

development issues that they had often been called upon to consider at their annual meetings.

6. In this regard, the approach taken by FEMM has been to clearly distinguish between those issues that could be effectively dealt with and those that would be better addressed by other Ministerial Meetings such as the Environment Ministers Meeting. In this regard, the statement encouraged the Environment Ministers to advance their important agenda whilst keeping in mind the broader economic implications.

7. The statement concluded by noting that Economic Ministers have learnt, through the FEMM process of taking stock, that it is one thing to make commitments regionally; it is quite another to ensure appropriate action is taken at the national level to implement these commitments. The outcomes of three FEMM Biennial Stocktakes have borne this out – that implementation at the national level continues to lag in key areas of good governance, macroeconomic reform, financial sector reform and public enterprise reform.

8. In this context, the FEMM Chair reiterated the emphasis on integration and implementation at the national level. The theme of the Environment Ministers Meeting, "Progressing the Biodiversity Agenda in the Pacific: Integrating and Implementing the Island Biodiversity Programme of Work and National Biodiversity Strategies and Action Plans", was seen in this regard as mutual reinforcement of the approach taken by FEMM.

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## 2006 SMALL STATES FORUM (SSF)

**On 18th September, representatives of small developing countries that are members of the World Bank met in Singapore for the 2006 Small States Forum.**

2. The Forum brought together representatives of 45 small developing countries and partner institutions, including the Commonwealth Secretariat, Pacific Islands Forum Secretariat, IMF, and the World Bank.

3. The Forum, which is an annual event, provides an opportunity to raise the international profile of small states concerns. Other aims of the Forum are for small states to exchange information and ideas on substantive policy issues, assess progress on the small states agenda, and set priorities for future work.

4. The Forum was chaired by **Vanuatu**, with the support from the Pacific Islands Forum Secretariat, in keeping with the 2004 agreement for a biennially revolving Chair around the main small state regions.

5. The three sessions at this year's Forum focused on **private sector development, labour mobility and remittances and enhancing small state development efforts**. The meeting agenda was drafted with inputs from PIFS, in close co-ordination with Vanuatu as Chair, and the World Bank.

6. Based on presentations by Manjula Luthria on the recently released report, *Home and Away*, which discusses labour mobility in the Pacific, and other recent World Bank research results highlighted by Alan Winters, the potentials offered by labour mobility were well accepted by the small states present.

7. In addition, the Forum discussed the ways forward with regard to lifting private investment levels in small states. Innovative approaches such as private-public partnerships were discussed, though a number of country challenges in its operationalisation were recognised. It was clear that more work will need to be done on this, alongside the World Bank's focus on reducing the costs of doing business and other "second generation reforms", although these have not necessarily produced higher investment inflows in the case of small states.

8. The Forum also discussed the results of country-based consultations carried out over the last year on the Joint Commonwealth/World Bank Task Force Report of April 2000 entitled, *Toward an Outward-Oriented Development Strategy for Small States: Issues, Opportunities, and Resilience Building: the Review of the Small States Agenda*.

9. At these consultations, Bank member countries considered the conclusions of the review and the recommendations made for further implementation of the 2000 Report. The Forum noted that the review ensures a better position from which to galvanise the support of other bilateral and multilateral agencies in assisting small states to address their vulnerability and help build resilience in the years ahead.

10. A resolution accepting Malta's proposal for the formation of a Small States Network was passed at the 2006 Forum. A committee has been appointed to draft the statutes establishing the network by December 2006. Forty-five small states, whose representatives attended the conference, will comprise the network. The network aims to provide a platform for small states to share best practices and

reinforce their voice in the international arena.

11. In summing up, the Chair **Honorable Willie Jimmy Tapangararua, Minister of Finance and Economic Management, Republic of Vanuatu**, highlighted the increasing importance of remittances in many small states economies. In this regard, the Minister mentioned that facilitating access for temporary movement of labour and preparing citizens for work abroad is something that small states should working towards. The Chair requested the World Bank to report back at the next Forum on ways in which small states as a group can advance the necessary policy and implementation requirements to benefit

from job opportunities abroad. In addition, the Chair requested for an update on how best remittance flows can be sustained and importantly how can it be used to leverage productive investments. The Chair also noted the reform progress made by small states, at the same time, urged the World Bank to assist with more innovative ways to develop the private sector in small states.

12. The Republic of Vanuatu will again chair the 2007 Small States Forum.

For more information, please contact Mr Sanjesh Naidu, Economic Adviser ([info@forumsec.org.fj](mailto:info@forumsec.org.fj))



## FIRST AND SECOND MEETINGS OF THE TASKFORCE ON REGIONAL APPROACHES TO ICTs

### The Taskforce on Regional Approaches to Information and Communications Technologies (ICTs) in the Pacific convened its inaugural meeting on 22 July 2006 in Suva, Fiji.

2. The meeting was chaired by Tonga and attended by representatives from Australia, Cook Islands, Fiji, New Zealand, Niue, Papua New Guinea, Republic of the Marshall Islands, Samoa, Tonga and Vanuatu. Observer organisations also attended the meeting.

3. The need for the Taskforce was reinforced at the Pacific Islands Forum Information and Communications Technologies Ministers' Meeting, held in Wellington, in March 2006.

4. A key objective of the Taskforce is to investigate the potential for developing regional approaches to ICTs to further the implementation of the Pacific Plan and the Regional Digital Strategy.

5. A follow-up meeting of the Taskforce was convened on 7 October 2006 in Nadi, Fiji. The Taskforce in its deliberations:

- **agreed** that a regional resource centre be established, recognising that great value would flow from having a centre which can facilitate regional policy and regulatory and technological information sharing and enable the cooperative development of regional approaches to developmental matters;
- **considered** the draft proposal for a Pacific Islands Resource Centre and **agreed** that further work

needed to be undertaken in identifying the parameters for the Centre, and merits and key outcomes to be derived from the Centre;

- **considered** that a roadmap table was required listing the initiatives, responsibilities and estimates of timeframes – New Zealand and the Pacific Islands Telecommunications Association (PITA) agreed to draft the table. This table would indicate priorities;
- **requested** the Pacific Islands Forum Secretariat to conduct a stocktake exercise for the Forum member countries on ICT development, primarily focusing on basic ICT penetration data, and policy and regulatory framework reporting, and to host this information on its website;
- **noted** the Spam Legislation project to be funded by AusAID, where Australia's Department of Communications, Information Technology and the Arts (DCITA) will work with five Pacific island countries to develop anti-Spam legislation;
- **agreed** that members would individually update their respective Ministers' on the progress of the Taskforce after the Chair had circulated an updated report;
- **noted** the work carried out by The Pacific Islands Telecommunications Association (PITA) on two of its regional initiatives – on bulk satellite procurement and on disaster recovery management. The Taskforce welcomed and

acknowledged PITA for these initiatives and requested that it be updated on these developments;

- **accepted** the offer by New Zealand to compile a monthly newsletter, to be circulated electronically, on ICT policy and regulatory matters to assist PIFS members;
- **accepted** the offer by Australia, in consulting members, to draw up a set of ICT policy and regulatory priorities for the region;

- **requested** PIFS to commence with two short term consultancies identified in the regional resource centre, on the rules for the use of unlicensed segments of the radio frequency spectrum and rules for the operation of voice over Internet protocol (voIP); and
- **agreed** that an update report of the Taskforce activities will be presented to the ICT Ministers Meeting, planned for mid 2007.

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*Members of the Taskforce on Regional Approaches to ICT, Nadi, Fiji*



## FEMM WORKSHOPS ON ECONOMIC REFORM AND ECONOMIC REGULATION

The FEMM Workshops on Economic Reform and Economic Regulation were held in Fiji from 4-7 December 2006.

2. The following countries were represented: Federated States of Micronesia, Fiji, Kiribati, Niue, Palau, Papua New Guinea, Solomon Islands, Tuvalu and Vanuatu. Resource persons included representatives from the Pacific Islands Forum Secretariat and the United Nations Pacific Centre. The workshop was co-funded by the United Nations Pacific Centre (UNPC).

### FEMM Workshop on Economic Reform

3. The objectives of the workshop on economic reform were two-fold: firstly, to review guidelines towards improving the implementation of key commitments on economic reforms made by Forum Economic Ministers; and secondly, to strengthen national level analysis of the impacts of these commitments.

4. The workshop identified a number of challenges to the implementation of FEMM commitments, in addition to those highlighted in the 2006 FEMM Biennial Stocktake. These considerations include:

- (i) Reform agendas of donors should be thoroughly assessed at the national level with a view to soliciting ownership of the reform rather it being donor driven;
- (ii) Donor technical assistance (TA) needs to fit in with country requirements;
- (iii) TA programmes must ensure the transferring of skills which would allow for sustained capacity building;

(iv) Costs of compliance with regional and international standards are often too high; and,

(v) Lack of political commitment to the reform process, which impacts on policy predictability.

5. The workshop also recognised the urgent need for incorporating the FEMM commitments in national policy and decision making mechanisms, in particular national development plans, and in budgetary systems, in order to improve the likelihood for implementation. A system of indicators, with which to monitor the impact of the reforms, should be developed and these should be related to the policy objectives of the reform.

6. Furthermore, the workshop noted the importance of institutional arrangements to better support coordinated, inter-ministerial and inter-departmental, policy formulation and implementation.

7. In considering challenges to the effective analysis of reform impacts, and consistent with previous FEMM considerations on the same, the workshop also reinforced the following guidelines:

- (i) involve the widest possible range of stakeholders when designing and implementing economic reform programmes.
- (ii) strengthen the design and implementation of economic reform programmes through:
  - building on to existing social safety net systems and establishing social safety nets where they are non-existent;
  - analysing the distribution of costs and benefits of reform among different social groups;

- closer interaction with formal and non-formal civil society service providers, and civil society as a whole;
- greater cross-sectoral government communication and programming during the design of economic reform programmes; and
- development of clear lines of accountability for balanced social development and economic reform.

(iii) Recognised the increasing importance of remittances in member countries, and similarly the development of Small and Micro-Enterprises (SME), as a means of mitigating the potential negative impact of reforms. As such, mechanisms could be established at the national level to both sustain inflow of remittances and creation of employment opportunities in the informal sector through SMEs.

8. The workshop also highlighted the need to prepare baseline studies, as appropriate, to allow for ex-ante and ex-poste evaluation of economic reform impacts.

9. Workshop participants also requested the Secretariat to provide more information on the tools and research findings on improving policy impact assessments, as a means of informing national policy.

10. The complete outcomes document can be obtained from the following link:  
<http://www.forumsec.org/pages.cfm/economic-growth/economic-growth-work-programme-1/>

### **FEMM Workshop on Economic Regulation**

11. The objectives of the FEMM workshop on Economic Regulation were two-fold: firstly, to consider country experiences in economic regulation policy - as well as a more specific focus on *competition, consumer protection and fair trading, foreign*

*investment and pricing and access policies* - to provide guidance to FICs in improving regulatory outcomes at the national level. Secondly, to explore and create awareness on some options with regard to the type of support that could be provided at the regional level to complement and strengthen existing national policies and priorities.

12. The workshop discussed the broad FEMM guidelines on improving economic regulation in FICs. The workshop also identified other areas consideration in developing regulatory policies at the national level. These include:

(a) *Government should be committed to its regulatory policy and its regulator.*

Government should ensure that before committing to economic regulation, it is prepared to provide sufficient resources (including scarce technical resources) and continuing commitment to the legislation and the regulator.

(b) *Regulatory solutions need to be appropriate to domestic circumstances.*

There may be alternatives that approximate the outcome of sophisticated economic legislation which may address the country's concern, at least in the short term, at lower resource costs. Complex regulatory solutions may not always be necessary.

(c) *Human resource implications should be carefully considered.*

FICs should not commit to economic regulation without careful and objective consideration of whether it is the best use of scarce technical resources. While capacity building and continuing technical assistance help, they are costly especially for complex economic legislation. Any training and capacity building activities should be targeted and tightly focused and their overall cost adequately considered.

(d) *Government should ensure compliance with the law.*

Unless meaningful sanctions are provided in the law and there is active enforcement of the law it is unlikely the regulation will achieve its objectives. As part of this there must be no overlap or duplication of responsibilities in administration of law as that can reduce its effectiveness.

13. The workshop reinforced FEMM benchmark study findings that regional cooperation is possible at all levels of regulation but the greatest potential for enhancement of economic regulation is at the level of regional provision of services, mainly in terms of regional advice and capacity building for regulators and FICs that choose to participate. An integrated advisory service could be a possible option, based on the constraints and challenges highlighted at the workshop.

14. The workshop reiterated that the extent of support required will vary from country to country and it is desirable that there be flexibility in the way and the level at which the support is provided.

15. The workshop also agreed to the need for more co-ordination with,

and inputs into, the ongoing regional trade negotiations as they pertain to competition policy and consumer protection. In particular, the discussions on regional economic regulation needs to factored into the current negotiations with multilateral donor partners on economic partnership agreements (amongst other reasons to secure medium to long term development assistance), with a view to strengthening the region's capacity to deal with regulatory issues and competition policy over the medium term.

16. Workshop participants also requested the Secretariat to consider the outcomes of this workshop as inputs in the research work required for FEMM 2007, and also to provide more information on the tools and research findings on improving regulatory outcomes, as a means of informing national policy.

17. The complete outcomes document can be obtained from the following link:  
<http://www.forumsec.org/pages.cfm/economic-growth/economic-growth-work-programme-1/>



Participants at the FEMM Workshops on Economic Reforms and Economic Regulations



## **PACIFIC AVIATION FEATURE: REGIONAL "OPEN SKIES" AGREEMENT GAINS MOMENTUM**

**Further endorsement of the Pacific Islands Air Services Agreement (PIASA), commonly referred to as the region's "open skies" agreement, has been announced.**

2. Pacific Islands Forum Member Governments were recently advised by the Forum Secretariat that official instruments of ratification for PIASA had been received from Tonga and Nauru.

3. This brings the total number of countries to have formally ratified PIASA to four – including Samoa and the Cook Islands. PIASA will come into force when six countries in total have officially ratified it.

4. Members were also informed that Kiribati had signed the Agreement.

5. "The fact that PIASA is gaining momentum is greatly encouraging for the future of the region's aviation industry," says Pacific Islands Forum Secretariat Transport Sector Adviser, Seuil Alvin Tuala.

6. "The highly regulated nature of regional air travel, which manifests itself in the lack of frequent direct flights and high cost of travel between Forum Island Countries (FICs), presents a major barrier to growth in the industry, and hinders associated economic benefits."

7. The "Nadi Decisions on the Pacific Plan", released by Leaders at the 2006 Pacific Islands Forum Meeting held in October 2006, affirmed the importance of intensified regional action to ensure effective transportation within

the region, focusing on the needs of Smaller Island States members.

8. PIASA, says Mr Tuala, would entail the liberalisation of air transport services between participating FICs, which could significantly help countries strengthen and develop.

9. "There would be three stages of liberalisation under PIASA intended to assist participating governments and airlines gradually adapt, by encouraging FIC airlines to build their capacity within the region first, so they can eventually survive in an international market at the end of the adjustment phase."

10. Mr Tuala explains that PIASA would not apply to services between FIC and non-FICs, where bilateral agreements would continue to operate.

11. "PIASA's central intention is to give Pacific airlines a basis from which to grow and expand. Pacific carriers can then increase their sphere of activities to take advantage of the benefits of regional alliances and cooperation."

12. Says Mr Tuala: "PIASA may not be the panacea to solve all of our region's aviation challenges, but it does go a long way in addressing existing barriers to growth and development, with many achievable benefits for FICs and their people."

For further background information please see Pacific Aviation Feature, "PIASA: On the Wing of Regional Cooperation" on:

<http://www.forumsec.org>



## PACIFIC AVIATION SAFETY OFFICE SET TO COMMENCE OPERATIONS

### **PACIFIC AVIATION SAFETY OFFICE (PASO) set to commence operations.**

2. The Pacific Aviation Safety Office has received funding for its operations from the Asian Development Bank and the International Funding Facility for Aviation Safety (IFFAS), which is operated by the International Civil Aviation Organization (ICAO).

3. PASO will now proceed to hire its first Air Safety Inspectors and plans to commence surveillance and training operations by early 2007.

4. PASO is based in Port Vila, Republic of Vanuatu, and will be set up as a Regional Safety Oversight Organization to oversee aviation safety and security in member governments which are parties to the treaty known as the Pacific Islands Civil Aviation Safety and Security Treaty (PICASST).

5. The primary role of PASO will be to work with the Pacific member countries to improve their compliance with international flight safety and

security standards and ensure that they are successful in meeting their obligations as members of the International Civil Aviation Organization and signatories to the Chicago Convention on aviation safety.

6. This is a matter of critical importance to all developing countries as ICAO has announced, on 22<sup>nd</sup> March 2006, that the results of all future technical audits will be made public on the ICAO website. Unless the Pacific nations can meet their obligations under the Chicago Convention on International Civil Aviation, and do well in future technical audits, they risk the loss of airline services which will have a serious impact on tourism and their national economies.

7. PASO member countries are currently Australia, Cook Islands, Fiji, Kiribati, New Zealand, Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu.

For more information, please visit our website: [www.forumsec.org](http://www.forumsec.org)



## IMPROVING DEVELOPMENT OUTCOMES THROUGH LABOUR MOBILITY

**In November 2005 the Economic Growth Work Programme organised, in partnership with the World Bank, the presentation of the findings of their study on improving development outcomes through labour mobility.**

2. That study, titled *'At Home and Away: Expanding Job Opportunities for Pacific Islanders through Labour Mobility'* was released on the 14 August 2006, and a copy can be found at [www.worldbank.org/pi](http://www.worldbank.org/pi). This article summarises key issues and trends discussed at the workshop.

### **Labour Mobility: A Strategy for Development**

3. The World Bank's strategy in the Pacific was presented by Manjula Luthria. This strategy recognises that job creation is one of the key challenges facing the region over the coming period. It therefore sets out a two-pronged approach to encouraging job creation:

- Firstly, improving the business environment to increase investment and job creation in PICs, and
- Secondly, improving labour mobility, in order to take people to where the jobs are in the region.

4. It was noted that first approach alone is not likely to be sufficient to meet the demand for jobs. Whilst improvements in the business environment will no doubt create jobs, the Pacific islands face intrinsic cost disadvantages which hamper investment and job creation – and these cost disadvantages are becoming more and more apparent as the international economy moves to remove trade preferences.

5. As well as warning that improving the domestic business environment will not be sufficient to meet the demand for jobs, the World

Bank emphasised the positive gains that can be made from labour mobility – above and beyond even the most advanced improvements to PIC domestic business environments. Globally, it has been estimated that unrestricted labour mobility could **double total GDP**. Taking practical and political considerations around labour mobility into account cuts these potential gains considerably, but nonetheless even practically achievable global gains have been estimated at **three times total current global ODA** or equivalently **three times the expected gains from all remaining trade liberalisation**. There are, therefore, clear and significant benefits to improving labour mobility - above and beyond those possible as a result of improving the domestic business environment.

### *The Future Demand for Jobs Overseas*

6. In session 2, Professor Ron Duncan of the University of the South Pacific, discussed the potential future demand by PIC citizens for jobs overseas. This demand was estimated on the basis of:

- (a) assessments of future population growth in PICs (he made a variety of projections until 2029, based on different assumptions of fertility, mortality and migration rates); and
- (b) assessments of the likely future growth of formal employment opportunities in the PICs for the year 2015.

7. The level of demand for jobs overseas is suggested by the gap between the number of people projected to be of working age in 2015 and the number of formal jobs available. This will only be a very rough estimate, as it doesn't take into account that some people are already employed in the informal sector and that not all people of working age are likely to be available for jobs in the overseas employment

market. Nonetheless, it is useful as an approximate figure.

8. The level of formal employment lacking in PICs, and the resulting demand for overseas jobs estimated by Professor Duncan is high. For example, in both the Solomon Islands and Papua New Guinea (the countries with the most severe gaps between working age population and formal employment), over 90% of the working age population will be without formal employment in 2015 and thus will be potential entrants in the overseas job market.

9. It is estimated that, on the basis of the trends, over 3,900,000 people from these 2 countries alone will potentially be seeking work overseas in 2015; and for all the 9 PICs that he generates estimates for, over 4.5 million people are potential entrants into the overseas employment market in 2015.

10. This represents a massive demand for overseas jobs which certainly cannot be catered for under present labour mobility schemes.

#### *The Socio-Economic Impact of Remittances*

11. Richard Brown of the University of Queensland led the discussions in Session 3, looking at the socio-economic impact of remittances in the region, based on a recent survey of remittance receiving households in Fiji and Tonga. These countries make interesting case studies as Fiji's receipt of remittances appears to have increased dramatically in recent years, whilst Tonga has an entrenched culture of labour mobility and remittance receipt.

12. The work revealed a number of important points about the critical impacts of remittances on the wellbeing of people in the region:

(a) A large number of households receive remittances - 90% in Tonga and 43% in Fiji. Even households who do not have a

migrant sometimes receive remittances - from migrants 'belonging' to other households.

(b) People from both rich and poor households migrate, and the vast majority of migrants remit, including the poorest.

(c) The amount of money received through remittances is significant. In Tonga, the average remittance receiving household gained USD3067 in 2004, and for Fiji the figure was USD1328.

(d) Remittance receiving households save more, own more assets, and invest more in the education of their children than non-remittance receiving households - suggesting a positive relationship between remittances, savings and investment.

(e) The group of households with the lowest per capita income (assessed pre-receipt of remittances) had the highest proportion of households receiving remittances, and also had the highest amount of individual remittances, suggesting that remittances play a role in reducing income disparities.

(f) This also leads to a reduction in the proportion of people identified as being below the 'poverty line'.

#### *A Viable and Just Seasonal Workers Scheme?*

13. Peter Mares and Nic McLellan of Swinburne University, Melbourne, led the discussions in Session 4, looking at possible forms that one sort of labour mobility scheme might take - a scheme providing employment for Pacific workers in the Australian horticultural industry.

14. Firstly the presenters examined the demand for overseas workers in the industry. Their surveys of Australian horticultural employers

revealed that over 50% believe that there is an inadequate supply of seasonal labourers at present, and that 71% would be interested in employing overseas workers in at least some years. However, most are reluctant to share in the costs of an offshore seasonal scheme – which would have to be taken into account in the design of any potential arrangement. It is clear, nonetheless, that demand for labour exists.

15. Lessons learnt from one labour mobility scheme that is relatively successful - the Canadian seasonal workers scheme which brings workers (19,000 in 2005) from the Caribbean and Mexico to work in the Canadian horticultural industry for up to 8 months a year – were also presented.

16. The Canadian scheme attempts to balance costs and benefits between employers, workers and the governments of both the host and sending countries. For example:

- the costs of travel are shared between employer and employee;
- workers are ensured a minimum wage, but they have to pay local taxes from this wage; and
- workers are guaranteed a minimum number of hours work (240 over 6 weeks), but are obliged to work up to 6 days a week if required.

17. A successful facet of this scheme is the opportunity for workers to return to Canada in following years. This is beneficial for employers, as it reduces the training burden and improves productivity, and it gives workers an incentive to return home at the end of the contract. It was found that in 2004 no workers at all 'disappeared' into the system.

18. Having outlined the demand for overseas seasonal workers and lessons learnt from other schemes,

the presenters then described some of the policy issues that Forum governments will have to tackle if they are to develop a just and viable seasonal workers' scheme. These include:

- (a) Labour rights and working conditions;
- (b) Recruitment, and Government regulation;
- (c) Addressing the impact on families;
- (d) Information and community support;
- (e) Incentives to avoid overstaying;
- (f) Government support for migrant workers; and
- (g) Reducing the cost of remittance transfer.

### **New Zealand Seasonal Work Scheme**

19. The New Zealand Government announced the introduction of a new policy to recruit seasonal labour offshore for the horticulture and viticulture industries, with a focus on the Pacific.

20. The policy will give preference, after New Zealanders, to workers from all Pacific Forum countries.

21. In order to kick-start the scheme, which will begin in 2007, and to help employers access Pacific labour quickly, New Zealand will help some Pacific countries to develop special facilitative measures to prepare workers and arrange pastoral care for their time in New Zealand. These countries are Kiribati, Samoa, Tonga, Tuvalu and Vanuatu.

For more information on the Scheme, please visit the New Zealand Department of Labour website:  
[www.immigration.govt.nz](http://www.immigration.govt.nz)



## Pacific Economic Governance Agencies' Seminar Series (PEGASeS)

The Pacific Economic Governance Agencies' Seminar Series (PEGASeS), organised jointly with the Secretariat and the International Monetary Fund/Pacific Financial Technical Assistance Centre (IMF/PFTAC), was launched in March 2006, for the purpose of information exchange and better networking on macroeconomic issues with key regional agencies, and academia, government officials, and civil society representatives.

2. With a focus on regional issues, a total of five seminars were held in 2006, covering the following topics:

economic growth performance; tax administration and policies - issues and

challenges; developments in financial regulation; poverty/conflict and the MDGs; and economic statistics.

3. Speakers included the Governor of the Reserve Bank of Fiji, Mr Savenaca Narube, the Manager of the United Nations Pacific Centre, Mr Garry Wiseman, and a number of Advisers from the IMF/PFTAC.

4. Copies of the 2006 seminar presentations are available on request. Do contact us should you be interested in the PEGASeS programme for 2007.

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