



## An e-newsletter of the ECONOMIC REFORM AND INFRASTRUCTURE WORK PROGRAMME

Pacific Islands Forum Secretariat

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

# TRENDS AND DEVELOPMENTS 2009

## SECRETARY GENERAL'S REMARKS AT FEMM 2009

In his introductory remarks at the 2009 Forum Economic Ministers' Meeting (FEMM), the Secretary General of the Pacific Islands Forum Secretariat, Tuiloma Neroni Slade, said Ministers were meeting at a time of lingering uncertainties with the global economic and financial situation and their implications for the region.

For the FICs, he said the impacts are more pronounced now because of the lag in transmission.

Besides experiencing lower economic growth, Mr Slade said due to the impact of the global economic crisis (GEC),

recent gains made by FICs through their pursuit of difficult reforms are being threatened, and the prospect of the GEC diverting the region from meeting its national, regional and international goals cannot be discounted, and must be counted resolutely.

"The Pacific response to the GEC must be collective and embody combination of actions, policies, and initiatives that involve national Governments, regional organisations and development partners, and must be tailored to Member government needs, and in cognisance of national development priorities," said Mr Slade.

[...continued on page 4...](#)

## OUTCOMES OF THE 13TH FEMM, 27-28 OCTOBER 2009

The 13th meeting of the Forum Economic Ministers was held in Rarotonga, Cook Islands from 27 to 28 October 2009, where Forum Economic Ministers met to consider a range of issues that impact on economic development in the region.

### Global Economic Crisis Update

The overarching theme of the 2009 FEMM was *Global Economic Crisis: Implications and Policy Response*.

A keynote presentation was made by Australia on the theme, followed by sharing of country experiences by Ministers. Ministers also discussed possible policy measures to address the immediate to short-term socio-economic impacts of the crisis, and also on strategies to build economic resilience for the longer-term. ([Read more on the Global Economic Crisis Update on page 2](#)).

### Cairns Compact on Development Co-ordination in the Pacific

Ministers welcomed the Forum Leaders decision to bring new determination and an invigorated commitment to lift the economic and development performance of the region through the *Cairns Compact on Strengthening Development Co-ordination in the Pacific*

Ministers acknowledged the importance of the Cairns Compact to drive more effective coordination of available development resources from both FICs and development partners, in order to achieve real progress against national development priorities and international and regional development goals.

The Secretariat was directed to work with relevant development partners, particularly PFTAC to develop a roadmap, aimed at progressive strengthening of FICs public finance management, in consultation with FICs and development partners.

### Strengthening Statistical Services through Regional Approaches

Ministers noted that the problems and constraints in the statistical systems of FICs cannot be solved through regional approaches alone, and that solutions must be based in appropriate national actions. In this context, Ministers agreed to appropriately resource National Statistical Offices and National Statistical Systems.

Ministers noted the need for support from policy agencies and endorsed ways to improve National Statistical Offices' performance, including through:

- development of appropriate plans for statistics development;
- expanded statistical use of administrative data;
- raising awareness for the importance of statistics;
- coordination and consultation between the statistics users and producers;
- improving cooperation between all producers of statistics; and
- better access to published data.

Ministers endorsed the proposed recommendation put forward by the Benchmark Study, for the expansion [.....Continued on page 4....](#)

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## UPDATE ON IMPACT OF GLOBAL ECONOMIC CRISIS ON FICS AND POLICY RESPONSES

A joint report published by Australia and New Zealand, *Surviving the global recession: strengthening economic growth and resilience in the Pacific*, was presented at the 2009 FEMM, assessing the impact of the global recession on the Pacific and setting out critical policy components for an effective regional response.

As with most countries in the world, all Forum Island Countries (FICs) are being hurt by the global recession as demand, output and employment have fallen internationally, and this has impacted FICs in numerous ways leading to lower economic growth and subsequently lower income for both households and national governments.

At the 2008 FEMM, Ministers identified that FICs would face significant pressure from reduced demand for commodity export with lower prices; pressure on tourism, a fall in remittance flows and the value of offshore national trust funds; and for some a deterioration in access to finance. At this year's FEMM, several countries gave presentations on how the economic crisis had impacted their economy and the steps they would need to take to reduce the adverse impact.

All FICs reported lower economic growth, a worsening macroeconomic outlook, falling government revenues and increased poverty. The global recession was also reported to be exposing underlying structural weaknesses in many FICs, exacerbating the impacts of the economic downturn, thereby con-

straining FICs abilities to effectively respond to the impacts of the GEC.

The main challenge identified in responding to the global recession was achieving macroeconomic stability whilst maintaining a platform for economic growth. Many FICs reported that they would seek to employ a mixture of monetary and fiscal policy, where possible, to stabilize their economies and kick-start growth.

At the 2009 FEMM, Ministers agreed that, besides lower economic growth, the impact of the GEC on FICs through major transmission channels is likely to be lower income - for both households and national governments - which is likely to limit the governments' ability to provide basic services, create jobs, and support vital infrastructure.

It is expected that households will have reduced access to basic goods and services, and that this has the potential to increase poverty levels among vulnerable groups like women, children, people with disabilities, and the poor. Ministers noted that this likely worsening of social outcomes threatens the recent progress made by FICs towards achievement of National, and Millennium Development Goals.

Ministers agreed the importance of the following areas of economic policy response:

- promoting and safeguarding macroeconomic stability;
- strengthening public financial management to protect core services and the most vulnerable;
- improving competitiveness through the implementation of economic and financial reform; and
- working in a coordinated way with development partners to give the region its best opportunity to weather future shocks and provide a platform for sustainable growth.

Furthermore, Ministers noted the G20 is now the pre-eminent global economic forum and has played the central role in coordinating the international response to the global economic crisis, with actions including:

- additional Standard Drawing Rights to Pacific International Monetary Fund Member countries;
- a commitment to improve long-term food security, improve access to financial services by the poor and increase the transparency of aid flows; and
- increased efforts to strengthen, through peer review, technical measures and countermeasures, the global financial system with impacts in relation to taxation transparency, cross-border taxation and financial flows, prudential regulation and money laundering issues.

Also Ministers recognised that broad-based, sustainable private sector-led growth is essential to achieving faster development progress and building resilience against future similar shocks, including through micro-economic reform, economic diversification in areas of economic opportunity and comparative advantage, trade facilitation in goods and services, improved financial services including micro-finance and investment. In this context, Ministers encouraged development partners to support countries efforts to build a sustainable private sector.

To read the full report published by Australia and New Zealand, click [HERE](#).

To access the 2009 FEMM briefing paper on the GEC, click [HERE](#).

### Facts and Figures

*For figures please see page 6.*

- GDP Growth Projections for selected FICs
- Lower economic growth in 2009 (real GDP)
- GEC impact on major commodity prices

## PARTNERSHIPS

### Forum Secretariat and World Bank sign MOU

The World Bank and the Pacific Island Forum Secretariat (PIFS) signed a Memorandum of Understanding (MOU) in October this year. The agreement will see the organisations work closely to support the implementation of priorities highlighted by Forum Members, and in particular, the Forum Economic Ministers' Meetings.

The areas of collaboration include, financial support for regional audit initiative, assistance with economic regulation and labour mobility. For more information, read the joint [Press Statement](#).

### ADB, PIFS Build Regional Cooperation

The Asian Development Bank (ADB) and PIFS signed an MOU in March this year to set up a framework to foster deeper cooperation to encourage conditions for sustainable growth and facilitate greater economic integration in the Pacific.

“At a time when the region faces significant economic challenges, both from within and due to external factors, this MOU reinforces past cooperation between the two organisations and provides new scope for greater collaboration into the future. Enhancing this relationship will be important in facilitating better conditions for sustainable economic growth in the island economics of the

Pacific,” said Tuiloma Neroni Slade, the Secretary General of PIFS in a [Press Statement](#).

### INFORMAL ECONOMIC TA MEETINGS

The 2007 FEMM discussed the issue of economic technical assistance (TA) delivery, and noted the potential for improvement in, and broadening the scope of, TA delivery to meet the requirements of FICs, including in areas of microeconomic policy advice. Ministers also noted the many reasons for poor economic TA delivery, including the limited donor coordination in the delivery of economic TA.

At 2009 FEMM, Ministers welcomed the Leaders' decision to bring new determination and an

invigorated commitment to lift the economic and development performance of the region through the *Cairns Compact on Strengthening Development Coordination in the Pacific*.

Ministers acknowledged the importance of the Cairns Compact to drive more effective coordination of available development resources from both FICs and development partners, to be applied to achieving real progress against national development priorities and international and regional development goals.

In this context, the Forum Secretariat continued to facilitate regular informal

*...continued on Page 5...*

## UPDATE: PACIFIC PETROLEUM PROJECT

Four signatories to the MOU for the Pacific Petroleum Project include, Niue, Nauru, Cook Islands and Tuvalu. The Secretariat is encouraging more signatories as it will assist in the preliminary work required during this first phase (e.g. national assessments etc).

### First Phase of the Pacific Petroleum Project

Following an open and international call for tenders, four tenders were submitted. A Technical Assessment Panel (TAP) was convened at the Forum Trade Offices in Sydney on 15 September 2009 to assess tenders for the first

phase of the Pacific Petroleum Project.

All tenderers were considered technically suitable to undertake the services requested based on the assessment of their technical proposals by the TAP against the requirements specified in the Request for Tender. Contract negotiations have commenced with

the successful bidder and are expected to conclude relatively soon.

It is anticipated the work required will be finalised by April/May 2010. Additional signatories to the MOU may require a revision to this timeline noting that this will require additional work and more technical inputs (i.e. more countries to assess, the more work to be done).

## REGIONAL WORKSHOPS

The Economic Reform and Infrastructure Work Programme co-hosted two regional workshops in 2009 in Nadi, Fiji.

In March, a regional consultation workshop to review the draft report of the *Study on Feasibility of sub-regional approach to Targeted Customs Services* was organised, in partnership with the OCO Secretariat. The workshop was attended by Heads of FIC

Customs, and senior Finance officials.

In April, the Forum Secretariat and the Secretariat of the Pacific Community (SPC) co-hosted a regional consultation workshop to review the draft report of the *Benchmark Study on Strengthening Statistical Services through Regional Approaches*. It was attended by National Statisticians and senior Finance officials from FICs. Various development

partner representatives were also present.

The studies and the workshops were important milestones in a process that was sanctioned by FEMM, building on Pacific Plan's Initiative 12.4 which recognises the need to “upgrade and extend country and regional statistical information systems and databases across all sectors,” and Pacific Plan's Initiative 12.1 to “strengthen customs administrations and institutions and support the implementation of

The outcomes of both regional workshops were incorporated in the final reports of the studies.

The final reports were tabled at the 2009 FEMM, where Ministers considered the findings, endorsed the options recommended by the reports, and directed that the recommended options be implemented immediately.

## SG'S REMARKS AT FEMM 2009...CONT'D FROM PAGE 1

"In the short-term, focus must be on the general social well-being of the citizens, accentuated political pressures and the importance of partnerships and reforms.

Over the medium-term, ensuring better food and energy security should be the focus, and for the longer-term regional strate-

gy must focus on building resilience through strengthened capacity, better coordination of action, economic integration and improving the

standards of governance and leadership," added Mr Slade.

To access the full introductory remarks made by the Secretary General, click [HERE](#).

## OUTCOMES OF FEMM 2009...CONT'D FROM PAGE 1

of the SPC and the Pacific Financial Technical Assistance Centre (PFTAC) statistics programmes specifically through: mobilisation of a team of regional experts to provide capacity supplementation to National Statistical Offices; a stronger reformed governance structure for regional organisations with greater control by FICs; and optional contracting out of some statistical work by some FICs.

They called upon development partners to assist by providing resources needed to deliver the proposed services to be offered by SPC and the PFTAC.

### Sub-regional Approaches for Targeted Customs Services

Ministers noted the findings of the final report of feasibility study, the direction of the March 2009 regional consultation workshop, and the outcome of the May 2009 Oceania Customs Organisation (OCO)'s Annual Conference.

Ministers endorsed a strategy to improve revenue collection and trade facilitation through the creation of a mobile post-clearance audit unit and increased technical assistance to FICs' Customs Administrations. To progress this, they requested OCO, with support from the Forum Secretariat, to commence a

pilot program to establish a mobile post-clearance audit unit. They further requested OCO to coordinate the comprehensive program of technical assistance to Customs Administrations.

FICs and development partners were called upon to consider sustainable financing arrangements needed to deliver the services to be offered by OCO.

### Regional Initiatives to Support Financial Development

Ministers noted the range of regional initiatives already being pursued in FICs, largely focused on improving consumers financial knowledge and awareness (literacy), but also including efforts to improve the range of products and information available to consumers.

It was agreed that despite the importance of consumer protection and the attractions of regionalising the role of an Ombudsperson, the practical obstacles to it having a substantial impact mean that it should not be a priority in the immediate term.

Ministers, however, discussed important issues pertaining to enhancement of regional *Financial literacy and capability*, the importance of *Financial sector supervision and develop-*

*ment, and remittances* (one of the key revenue sources for many FICs).

Ministers endorsed the proposed set of goals (that: all schoolchildren to receive financial education through core curricula; all adults to have access to financial education; simple and transparent consumer protection be in place; and to halve the number of households without access to basic financial services) to be achieved by 2020, and the need for the development of a set of indicators to assess progress against these goals.

Concerns were expressed over costs associated with private lending, including interest rates, in the Pacific and, that an examination on the causes of this is being undertaken by the PFTAC.

It was noted that the recent global economic crisis has further highlighted the need for the financial sector to be appropriately regulated and supervised, including where appropriate prudentially regulated.

Ministers emphasised the important role of remittances as a source of national income and economic growth for many FICs, and agreed that re-

mittance fees and charges are generally too high which reduces the level of funds received.

Ministers endorsed the work presented to FEMM of the SendMoneyPacific.org website to raise awareness and increase competition through transparency of fees and charges when sending remittances to FICs.

Ministers highlighted the importance of competition amongst remittance service providers in reducing costs. Ministers also noted a range of other factors including regulatory settings can affect remittance costs.

### Economic Impacts of Natural Disasters in the Pacific Islands

In their discussions, Ministers noted the devastating impact of natural disasters on Pacific island economies, and, among others, encouraged greater effort to integrate disaster risk considerations into planning and budgetary processes, and supported a greater role for Finance and Planning departments in the development of Disaster Risk Management National Action Plans.

Looking ahead, FEMM 2010 will focus on the overarching theme of "*Broadening the Economic Base*." The 2009 FEMM papers and related documents approved for release by Economic Ministers can be downloaded from the FEMM weblink - click [HERE](#).

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Visit the Forum Secretariat website: Click [HERE](#).

## INFORMAL ECONOMIC TA MEETINGS...cont' d from Page 3

meetings to discuss economic technical assistance efforts in FICs. Four meetings have been held this year. The meetings have been attended by representatives of the Asian Development Bank, AusAID, NZAid, United Nations Development Programme, UNDP – Pacific Centre, UNESCAP and the European Commission, and, via electronic means, World Bank.

The informal meetings have provided an avenue for sharing information and helping partners better understand member country needs, and partner responses. A highlight has been the development of a comprehensive matrix of partner technical assistance efforts in each FIC, which allows for signposting of TA trends in the region.

## REVIEW OF DIGITAL STRATEGY UNDER WAY

At the Forum Leaders meeting in Cairns this year, Leaders requested a review of the Digital Strategy and its implementation over the last four years and to develop a new strategy to address the present and future potential of ICTs in the

region. In November 2009, the Secretariat published a Request to Tender inviting consultants to undertake the work which would require an assessment of the current technological capacity and market structure of ICTs in the region, and

the development of a new Digital Strategy for ministerial endorsement. The Secretariat has chosen a preferred bidder and is currently negotiating an agreement. The work should be completed by April 2010.

## SMALL ISLANDS STATES (SIS) SHIPPING SERVICE INITIATIVE

At the request of the SIS Leaders Summit 2006, the Forum Secretariat commissioned a joint study with the Secretariat of the Pacific Community (SPC) Regional Maritime Programme (RMP) to conduct a review aimed at providing solutions to the shipping requirements of small island states in 2007.

Earlier this year, further work was conducted exploring the feasibility of using Kiribati State-owned vessels to provide short-term shipping services to Fiji, Kiribati, Nauru, Tuvalu, Wallis & Fatuna in compliance with best shipping industry practices.

At the 2009 SIS Meeting of Ministers for Maritime Transport;

the provision of these services was approved.

The official press release reported that the company will provide services once a month that will be dictated by the routes, the cargoes demand and the volume of the cargo to be carried.

[Press Release](#) (May 2009)

## REGIONAL REGULATORY STEPLADDAR UPDATE

At the 2008 FEMM, Economic Ministers noted that establishing pre-conditions at the national level to support regional initiative, which include formulation of common rules or legislations and a mutually supportive policy framework, require urgent attention in the short term, and in this context,

directed the Secretariat in coordination with relevant CROP agencies and development partners, to develop model regulatory and policy framework, and seek support for its implementation.

In mid-2009, the Secretariat called for tenders from con-

sultants to carry out a study to assess and develop a model regulatory & policy framework for FICs.

With the appointment of a consultant, the study began in November 2009, and the final report is expected by mid 2010, after extensive consultations with Members, and key development partner agencies.

## PACIFIC ECONOMIC GOVERNANCE AGENCIES' SEMINAR SERIES (PEGASes)

Launched in 2006, PEGASes is organised jointly by the Secretariat, and the International Monetary Fund/Pacific Financial Technical Assistance Centre (IMF/PFTAC).

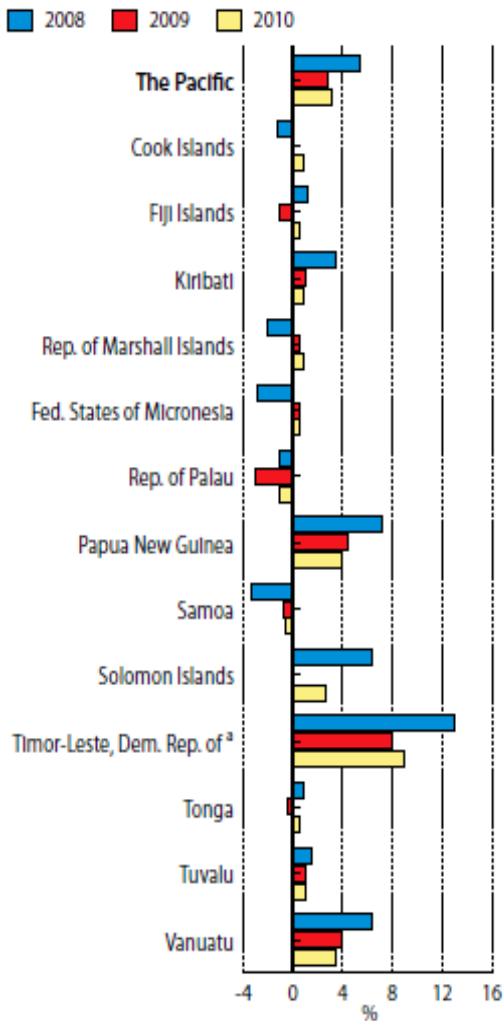
The seminars serve as an important avenue for information exchange and networking on development and macro-economic issues with key regional (including CROP) and international agencies,

academia, donors, government officials, and civil society representatives.

To access all PEGASes presentations made to-date, click [HERE](#).

# FACTS AND FIGURES

Chart 1: The Global recession has had varied impacts on regions—GDP growth

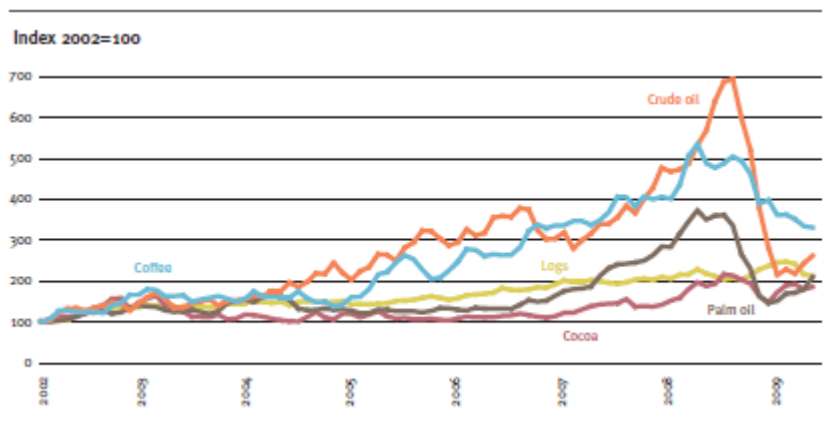


<sup>a</sup> Non-oil, non-United Nations GDP.

“Five economies (Cook Islands, Fiji Islands, Palau, Samoa, and Tonga) are projected to contract, primarily because the global economic slump has eroded income from tourism and remittances. Solomon Islands is now expected to record no growth because its log exports have dropped sharply. The growth outlook for Papua New Guinea has improved since March in tandem with the pickup in global prices for mineral and petroleum products”

Source : Asian Development Outlook 2009

Chart 2: Global recession impact on commodity prices has varied



Source: Surviving the global recession: strengthening economic growth and resilience in the Pacific, Australian and New Zealand government (August 2009)

Table 1: Slow GDP per person Growth—Constraining Development

	GDP per person (US\$) in 1998 (constant 2000 prices)	GDP per person (US\$) in 2008 (constant 2000 prices)
<b>Melanesia</b>		
Fiji	2 000	2 215
Papua New Guinea	695	690
Solomon Islands	892	794
Vanuatu	1 349	1 324
<b>Polynesia</b>		
Samoa	1 237	1 703
Tonga	1 464	1 678
Cook Islands	7 088	8 935
Tuvalu	1 973	2 735
<b>Micronesia</b>		
Kiribati	533	482
Marshall Islands	2 081	2 276
FSM	1 970	1 824
Nauru	2 497	2 225
Palau	6 831	6 608

Note: Data for Niue is not available.

Source: Surviving the global recession: strengthening economic growth and resilience in the Pacific, Australian and New Zealand government (August 2009)

“...most progress is made where governments have taken appropriate policy actions to nurture broad-based economic growth and social development”

Source: Surviving the global recession: strengthening economic growth and resilience in the Pacific (2009)