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EXECUTIVE SUMMARY
Regional cooperation and integration takes a step forward with Pacific Plan implementation

Regional cooperation and integration have taken another step forward with the first year of implementation of Pacific Plan which was adopted by Forum Leaders at their meeting in Port Moresby, Papua New Guinea in 2005. Significant progress has been made in its implementation during the past 12 months.

Key achievements and challenges of Pacific Plan implementation have been identified by the Pacific Plan Action Committee which continues to play a critical role in overseeing the implementation of the Plan. Among them is the importance of improving national implementation of regional initiatives - a challenge which, if not overcome, will undermine the push for strengthened regionalism and integration in the Pacific. Regional processes and institutions exist wholly and solely for the benefit of members, and we continue to encourage members, as strongly as we can, to integrate those processes into their national policy and planning mainstream. Indeed, the Pacific Plan and for that matter, almost any other regional programme will not work if this does not happen. The Secretariat has been helping strengthen these national/regional connections through support for national planning processes and specific assistance to Smaller Island States. This activity will intensify during the next 12 months as these support measures are further developed, and hopefully extended. New resources now available to boost the Forum Secretariat’s public outreach capacity will improve and promote understanding and awareness of the benefits of regionalism and the Pacific Plan.

Extending partnerships in the Pacific to support regional approaches is also an important element in strengthening regional cooperation and integration. Following the adoption in 2005 by Leaders of a new constituent Agreement for the Forum and a policy on Associate membership and observers as a mechanism to enhance the contacts between the Forum and non-sovereign Pacific Territories, New Caledonia and French Polynesia have become Associate members of the Forum. Current Observers include Tokelau, Wallis and Futuna, the Commonwealth and the Asian Development Bank, with Timor Leste as Special Observer. A stronger basis has also been developed for NGO involvement in implementing and monitoring the Pacific Plan and for their participation in Forum-related processes more generally. Some of the proposals connected with this are now before Members for their consideration. As well, we have developed specific consultative processes with key development partners and international organisations.

The Secretariat has played a major role in facilitating Leaders’ Summits with Japan, France and China and a range of high level meetings with the EU.

The first Pacific Plan Annual Report also outlined the key challenges that needed to be overcome in order for the Plan to be effectively implemented. Paramount is that of translating the efforts and initiatives, as well as the partnerships and resource flows achieved so far, into substantial outcomes that directly meet the objectives of the Plan and of member countries. This is, in summary, a great deal more work still to be done on Pacific Plan implementation.

During the period being reported on, a range of activities has been initiated to build the Secretariat’s and FIC capacity in conflict and peace building under the framework of the Biketawa Declaration. This has included exploration of a sustainable model for a crisis early warning system. The Secretariat also started implementing Phase 1 of a Land Management and Conflict Minimisation Project. The Secretariat also worked on the implementation of the recommendations of the 2005 Forum Eminent Persons Group on regional cooperation and integration. This included the strengthening of the Regional Assistance Mission to Solomon Islands (RAMSI). The election observer missions were conducted in Solomon Islands and Fiji.

The Report confirmed that there were many significant initiatives gaining momentum under the Pacific Plan and the support from regional organisations and development partners has been a strong and positive feature to date. There have been encouraging results so far, particularly in terms of the effort that is being made to intensify regional economic integration, integrate management of natural and human resources, and improve governance and security.

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In respect of Good Governance, the Secretariat worked with other stakeholders in implementing the key Pacific Plan including regional support to consolidate commitments to key institutions such as Audit and Ombudsman offices and Customs and Authorities, Anti-Corruption Institutions, and Environmental Protection Agencies.

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The Secretariat has been helping strengthen these national/regional connections through support for national planning processes and specific assistance to Smaller Island States. This activity will intensify during the next 12 months as these support measures are further developed, and hopefully extended. New resources now available to boost the Forum Secretariat’s public outreach capacity will improve and promote understanding and awareness of the benefits of regionalism and the Pacific Plan.
Trade Agreement (PICTA). Eight Parties have met their notification requirements and two, the Cook Islands and Fiji are ready to commence trading. The Forum Trade Ministers have agreed that there is a need to move beyond the 1981 South Pacific Regional Economic and Trade Cooperation Agreement (SPARTECA) and to seek a more comprehensive framework for trade and economic cooperation among Australia, New Zealand and the FICs, as provided for in the Pacific Agreement on Closer Economic Relations (PACER). The Regional Trade Facilitation Programme established under PACER is now operational. As part of preparations for negotiation of an Economic Partnership Agreement (EPA) with the European Union, the Secretariat completed the 4th round of national EPA consultations since 2002. A single Negotiating Group at the Senior officials’ level has been established by Trade Ministers. On regional aviation there have been positive developments particularly in the areas of aviation safety and security. The Pacific Aviation Safety Office, based in Port Vila received the first instalment of its approved loan funds from the Asian Development Bank (ADB). With regard to the Pacific Islands Air Services Agreement (PIASA) there are now a significant number of signatories of the Agreement but the required ratifications have been slow.

As regards the Sustainable Development Programme, the Secretariat has concentrated on advancing the key initiatives listed in the Pacific Plan by providing specific technical assistance to individual member countries to implement the initiatives at the national level. Technical assistance was extended to Cook Islands to finalise its national sustainable development plan and planning related and other support was provided to Nauru under the PRAN, the Pacific Regional Assistance to Nauru. The Secretariat was able to play a significant role in coordinating national workshops on the social impact of PICTA; in addressing the potential of the regional bulk purchase of pharmaceuticals and in exploring implications for intellectual property considerations in the accessing of drugs.

With the endorsement of the Pacific Plan, the Secretariat has been restructured to handle the implementation of the Plan’s four pillars – Economic Growth, Sustainable Development, Good Governance and Security. Economic Governance and Political and Security programmes have been established. Advisors dealing with cross-cutting issues participate in Sustainability and Good Governance programmes, working across the organisation. Part of this process has involved the recruitment of a second Deputy Secretary General.

The period 2005 – 2006 has been a very busy one. The coming period will continue to be so, as we move forward with Pacific Plan implementation and as our agenda of work continues to expand. The Secretariat can only respond to directions from the Leaders on the basis of support from the members themselves. And the increasing amount of work done every year is only possible because of the commitment of the professional team of advisors, officers, team leaders and support staff at the Secretariat. My warmest thanks to all of them.
The Pacific Islands Forum, formerly the South Pacific Forum until a name change in October 2000, was founded in August 1971 and comprises 16 independent and self-governing states in the Pacific. The Forum is established by a treaty between its members as the region’s premier political and economic policy organisation. Forum Leaders meet annually to develop collective responses to regional issues.

In October 2005, Forum Leaders endorsed the Pacific Plan for strengthening regional cooperation and integration. At the regional level, coordination of the implementation of the Pacific Plan is, in the first instance, the responsibility of the Forum Secretariat.

The Forum’s membership has increased from the original seven founding members (Australia, Cook Islands, Fiji, Nauru, New Zealand, Tonga and Western Samoa – now Samoa) to also include the Federated States of Micronesia, Kiribati, Niue, Republic of the Marshall Islands, Palau, Papua New Guinea, Solomon Islands, Tuvalu and Vanuatu. New Caledonia and French Polynesia, previously Forum Observers, were granted Associate Membership in 2006. Current Forum Observers include Tokelau (2005), Wallis and Futuna (2006), the Commonwealth (2006), the United Nations (2006) and the Asian Development Bank (2006), with Timor Leste as Special Observer (2002).

The Pacific Island Forum’s agenda is based on issues raised by members, and reports from the Secretariat and other regional organisations and committees. Decisions by the Leaders are reached by consensus and are outlined in a Forum Communiqué, from which policies are developed and a work programme is prepared. The annual Forum meetings are chaired by the Head of Government of the Host Country, who remains as Forum Chair until the next meeting. Since 1989, the Forum has held Post Forum Dialogues with key Dialogue Partners at Ministerial level. There are currently thirteen partners - Canada, People’s Republic of China, European Union, France, India, Indonesia, Japan, Republic of Korea, Malaysia, Philippines, Thailand, United Kingdom and the United States of America. A review of the Post Forum Dialogue process was commissioned by the Forum Secretariat following the directive of the Forum Leaders for a reassessment of its arrangements and the criteria for membership. The report and its recommendations were considered at the 2006 Forum Leaders’ Meeting, and work continues towards improving the quality of the dialogue process.

The Forum’s administrative arm is the Pacific Islands Forum Secretariat, based in Suva, Fiji. It acts as the Secretariat for Forum-related events, implements decisions by the Leaders, facilitates the delivery of development assistance to member states, and undertakes the political and legal mandates of Forum meetings. The Secretariat is funded by contributions from member governments and donors with a total budget in 2006 of around FJ$36 million.

The Secretariat is headed by the Secretary General. The Forum Officials’ Committee (made up of representatives from all Forum Governments) is the governing body for the Secretariat and oversees its activities. The Secretary General is also permanent Chair of the Council of Regional Organisations in the Pacific (CROP) that brings together 10 main regional organisations in the Pacific region:

- Fiji School of Medicine (FSMed)
- Pacific Islands Forum Fisheries Agency (FFA)
- Pacific Islands Development Programme (PDP)
- Secretariat of the Pacific Community (SPC)
- Pacific Islands Applied Geoscience Commission (SOPAC)
- South Pacific Board for Educational Assessment (SPBREA)
- Pacific Islands Forum Secretariat (PIFS)
- Secretariat of the Pacific Regional Environment Programme (SPREP)
- University of the South Pacific (USP)
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Kalibobo Roadmap
On The Pacific Plan

Pacifc Islands Forum Leaders today launched a new era for Pacific partnership by adopting a Pacific Plan to strengthen and deepen regional cooperation and integration. The Plan is a living document which, step by step, aims to give practical effect to the Leaders’ vision of a 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”.

The “Kalibobo Roadmap” reinforces the objectives of the Plan and is intended to guide the PIF member countries during the implementation phase in the first three (3) years. In this regard, the Leaders will be looking to the Plan to help achieve major outcomes for the people of the region.

The Pacific Plan is built on four pillars that are geared towards enhancing:

- Economic Growth
- Sustainable Development
- Security
- Good Governance

**Economic Growth**
The key objective is improved income earnings and livelihoods through better access to goods, services, employment and other development opportunities. The Plan includes initiatives for better access to markets and goods, trade in services including labour, trade facilitation, enhanced transportation and communication, private sector development and in the key resource sectors of fisheries and tourism.

**Sustainable Development:**
The key objective is enhanced capacity and resilience of Pacific people and societies. The Plan includes initiatives for improving not only educational standards but also practical (technical and vocational) skills that are relevant to job markets, in areas such as seafaring, hospitality/training, health care, and peacekeeping and policing. There are also initiatives to enhance the health of Pacific people, and support the fight against HIV/AIDS and STI, non-communicable diseases and other health threats.

**Good Governance:**
The key objective is to support a safe, enabling, inclusive and sustainable environment for economic growth and personal development and human rights. It is for this reason that the Plan promotes the development and implementation of national sustainable development strategies; regional support for good governance, particularly in areas such as leadership, human rights, ombudsman functions, audit, transparent administration systems, and participatory decision-making mechanisms that includes the non-government groups, women and youth. The Plan will also support the maintenance of strong Pacific cultural identities and the protection of traditional knowledge and intellectual property rights.

**Security:**
The key objective is to ensure safety and security of maritime and aviation and borders. The Plan will promote technical cooperation, regional police training, and other measures relating to drug and weapons control, quarantine, biosecurity and safety. Another important dimension of the security and sustainable development environment relates to prevention, mitigation and adaptation with regard to natural disasters, pollution (through waste management) and climate variability and change and sea level rise.

Twenty-four (24) initiatives have been identified for immediate implementation over the next three years:

**Economic Growth**
- Expansion of market for trade in goods under the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), the Pacific Islands Countries Trade Agreement (PICTA), the Pacific Agreement on Closer Economic Relations (PACER) of a move towards a comprehensive framework for trade (including services) and economic cooperation between Australia, New Zealand and the Forum Island Countries.
- Support of private sector mechanisms including through the Regional Private Sector Organisation (RPSO).
- Integration of trade in services, including temporary movement of labour, into the Pacific Islands Countries Trade Agreement (PICTA) and the Economic Partnerships Agreement (EPA).
- Timely and effective implementation of the Regional Trade Facilitation Programme (RTFP).
- Maximise sustainable returns from fisheries by development of an eco-based fishery management planning framework, encouragement of effective fisheries development, including value-adding activities; and collaboration to ensure legislation and access frameworks are harmonised.
- Implementation of the Forum Principles on Regional Transport Services (PPRTS) including development of the Pacific Aviation Safety Office (PASO).
- Implementation of the Pacific Agreement on Closer Economic Relations (PACER) of a move towards a comprehensive framework for trade (including services) and economic cooperation between Australia, New Zealand and the Forum Island Countries.
- Support of private sector mechanisms including through the Regional Private Sector Organisation (RPSO).
- Investigation of the potential impacts under the Pacific Agreement on Closer Economic Relations (PACER) of a move towards a comprehensive framework for trade (including services) and economic cooperation between Australia, New Zealand and the Forum Island Countries.
- Support of private sector mechanisms including through the Regional Private Sector Organisation (RPSO).

**Sustainable Development**
- Development and implementation of National Sustainable Development Strategies (NSDS), using appropriate cross-cutting and Pacific relevant indicators.
- Development and implementation of national and regional conservation and management measures for the sustainable utilisation of fisheries resources.
- Development and implementation of policies and plans for waste management.
- Implementation of the Pacific Islands Energy Policy and associated Strategic Action Plan to provide available, reliable, affordable, and environmentally sound energy for the sustainable development of all Pacific island communities.
- Harmonisation of approaches in the health sector under the Samoa Commitment, including implementing the HIV/AIDS and STI Strategy; a stronger focus on non-communicable diseases; and agreement on health worker recruitment.
- Investigate the potential for expanding regional technical vocational education training (TVET) programmes to take advantage of opportunities in health care, seafaring, hospitality/tourism, peacekeeping and for enhancing and standardising regional training programmes.
- Enhancement of advocacy for and coordination of youth programmes and monitoring of the status of youth.
- Enhancement of regional sporting networks to support the developmental role of sport.
Good Governance

- Regional support to consolidate commitments to key institutions such as Audit and Ombudsman Offices, Customs, Leadership Codes, Anti-Corruption Institutions and Departments of Attorneys General, including through judicial training and education.
- Regional support to the Forum Principles of Good Leadership and Accountability
- Enhancement of governance mechanisms, including in resource management, and in the harmonisation of traditional and modern values and structures.
- Upgrade and extension of country and regional statistical information systems and databases across all sectors.
- Where appropriate, ramification and implementation of international and regional human rights conventions, covenants and agreements and support for meeting reporting and other requirements.

Security

- Development and implementation of strategies and associated legislation for maritime and aviation security and surveillance.
- Strengthening of law enforcement training, (e.g. regional policing initiative), coordination and attachments.
- Development and implementation of policies and plans for the mitigation and management of natural disasters.

There are also a range of other initiatives under the Pacific Plan which have been agreed to in principle or have been listed for future analysis before they are implemented.

Future Outlook and Implementation

The Forum is expected to move progressively towards a comprehensive framework agreement amongst all the Forum members that includes trade (and services) and economic cooperation. Leaders are particularly pleased that the Forum’s Economic and Trade Ministers have taken the initiative to progress work on this goal of theirs.

The successful implementation of the Pacific Plan is dependent on the support and commitment of member countries, regional organisations, development partners and a range of stakeholders. As stronger regional cooperation and integration is a means to support national development objectives, the development and implementation of national policies and strategies on regionalism are an important Strategic Objective of the Pacific Plan. These strategies will need to include clear statements of national interests as they relate to regionalism and the establishment of appropriate mechanisms and processes for the use of regional approaches at the country level.

At the regional level, implementation of the Plan in the first instance will be the responsibility of the PIF Secretariat. This is consistent with the 2004 decision by Leaders that the primary functions of the Secretariat are to provide policy advice, coordination and assistance in implementing their decisions.

While the Pacific Plan has a general timeframe of ten years, it provides a mechanism for discussing and shaping the region’s longer-term future. It is a living document that will continue to draw inspiration from Leaders and from the people they serve, now and in the years to come.

Kalibobo Roadmap on the Pacific Plan continued

Action Committee (PPAC), chaired by the Forum Chair and comprising representatives of all PIF Countries. The Forum Chair (as chair of the PPAC) will report to Leaders on the implementation of the Plan on a quarterly basis. The Secretariat will provide written quarterly reports to the Chair for consideration and dissemination to PIF member countries.

A small implementation unit, reporting directly to the Deputy Secretary General, will be maintained in the Secretariat to support the PPAC and progress the plan. A similar unit will be established to ensure that the Smaller Island States derive the fullest possible benefit from the Plan.

Overall implementation of Pacific Plan initiatives will be reviewed annually by Leaders who will receive a report, prepared in consultation with members of the PPAC, from the Chair and Secretary General prior to the Leaders’ meeting. These reports will include recommendations on future directions for the Plan.

It is proposed that a Pacific Fund would be utilised in the areas of capacity building in workshops, symposiums and seminars and for the development of the Pacific Plan. These strategies will need to include recommendations on future directions for the Plan.

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ECONOMIC GOVERNANCE & SECURITY

POLITICAL AND SECURITY PROGRAMME

To be sustainable, development must occur within an environment of regional security and political integrity. The focus of the Political and Security Programme is to promote and develop understanding of the strategic elements of regional security and political integrity in the region. The Programme does this through the provision of high quality policy advice, and coordination and implementation of assistance to members on governance, law enforcement cooperation, political, legal and security issues.

Security – Law Enforcement

The Pacific region faces a range of threats and risks created by its openness to global influences and trade. These threats challenge governments to safeguard revenue and enhance the maintenance of civil order. Of these threats, transnational crime forms a serious risk to good governance. If left unchecked, damages the fabric of society and stalls economic progress. 

Forum Regional Security Committee (FRSC)

The annual meeting of the Forum Regional Security Committee continues to be the major regional security forum, and benefits from strong support from key law and border agencies and other regional and international stakeholders. It is now seen as the key meeting setting the regional security agenda. With respect to law and border enforcement, there continues to be good cooperation in the fight against transnational crime, including counterterrorism, and the Secretariat has engaged actively with key law and border agencies. There have been significant decisions by the 2005 and 2006 FRSC, facilitating the more effective collection of crime data and the strengthening of border security. The latter includes the development of a Pacific Regional Identity Protection Project, the Advance Passenger Information System and expertise to respond to clandestine laboratories. There have also been significant regional responses achieved in respect of disaster management planning, peacekeeping, HIV/AIDS interventions and the establishment of a working group to review customs legislation in the region.

Agency Cooperation

The Programme continues to work very closely with the region’s specialist law and border agencies, the Pacific Immigration Directors’ Conference, the Oceania Customs Organisation and the Pacific Islands Chiefs of Police Conference. The specialist law and border agencies play a key role in a number of joint initiatives with the Secretariat. The Secretariat also works closely with the Maritime Programme of the Secretariat of the Pacific Community and the Forum Fisheries Agency on maritime border issues.

Pacific Anti-Money Laundering Programme

Regional efforts aimed at responding to the various threats of transnational crime in particular money laundering and terrorist financing received a further boost with the launching of the Pacific Anti-Money Laundering Programme (PALP) in September 2006 at the Secretariat.

Legal Drafting

Progressively through 2007, all 14 Forum Island Countries will be provided with practical drafting assistance to enable each country to fulfill obligations under the Declarations and relevant UN requirements. Legal drafting assistance will also be provided on priority areas identified by Forum Island Countries. In addition, capacity building to alleviate the acute shortage of legal drafters in Forum Island Countries will form a significant component of the work of the legal drafting team. Other areas of work include drafting legislation as required under the Pacifc Plan, if resources permit.

Security – Regional and International Issues

Biketawa Declaration

Under the framework of the 2002 Biketawa Declaration, the Programme assists the Secretary General in his Good Offices role which includes, as required, the provision of advice on political and security developments to member countries. A range of activities have also been initiated to build the Secretariat’s and Forum Island Countries’ capacity in conflict prevention and peace building. This has included exploration of a sustainable model for a crisis early warning system and development of a Track 2 capacity building strategy for the Secretariat and members. These activities are expected to be strengthened through further collaboration with the UNDP’s Pacific Centre, which is also active in this area.

The holding of Session Two of the FRSC in retreat format has been a success, with members contributing freely and very usefully to discussion of issues formerly perceived as too sensitive. The confidence that members have developed in this process is greatly welcomed.

Through its long term on-site mentoring and regional initiatives, PALP aims to assist Forum Island Countries in establishing and enhancing their anti-money laundering and counter terrorism financing regimes in compliance with relevant international standards. PALP’s assistance will benefit in particular law enforcement officials, prosecutors, members of the judiciary and relevant financial institutions in Forum Island Countries.

The Programme continues to work very closely with the region’s specialist law and border agencies, the Pacific Immigration Directors’ Conference, the Oceania Customs Organisation and the Pacific Islands Chiefs of Police Conference. The specialist law and border agencies play a key role in a number of joint initiatives with the Secretariat. The Secretariat also works closely with the Maritime Programme of the Secretariat of the Pacific Community and the Forum Fisheries Agency on maritime border issues.

Legal Drafting

In response to the low rate of enactment of the legislative priorities of the Honaira and Namsoni Declarations and the lack of drafting capacity in most Forum Island Countries, the Programme now provides in-house legal drafting assistance. An immediate task is updating model laws on mutual assistance in criminal matters, proceeds of crime and extradition as required under the Honaira Declaration. Similar legal drafting assistance will be rendered to implement the broad areas covered under the Namsoni Declaration.

The holding of Session Two of the FRSC in retreat format has been a success, with members contributing freely and very usefully to discussion of issues formerly perceived as too sensitive. The confidence that members have developed in this process is greatly welcomed.

In respect of RAMSI, the Secretariat has worked on the recommendations of the 2005 Forum Eminent Persons
Group including the appointment of a Forum Secretariat representative to Solomon Islands. This should strengthen the Forum’s engagement with key stakeholders in Solomon Islands. The Programme is also collaborating with UNDP on possible peace and development activities in Solomon Islands. It is implementing the 2006 decision of the Leaders to establish a consultative mechanism and undertake a review of RAMSI.

The Programme is assisting members in the implementation of the recommendations of the Forum Eminent Persons’ Group to Fiji and the decisions of the Forum Foreign Ministers in response to the events of 5 December 2006.

**Land Management and Conflict Minimisation Project**

Members have recognised the importance of establishing tenure and administration systems that avoid, prevent or minimise conflict over land, in a way that facilitates economic development and recognises and protects customary practice. In the context of the Biketawa Declaration and other existing mechanisms, the Forum Regional Security Committee has endorsed the development of options for responding, at a regional and/or national level, to conflict situations arising from land disputes. Phase 1 of a Land Management and Conflict Minimisation Project which will comprise desk and country case studies will be implemented in 2007. This is a major initiative for the Secretariat; it has the potential to make a significant contribution, in the long term, to peace and stability in the region. There are also many potential pitfalls in such a project and the Secretariat will be taking a steady, measured and long-term approach to it.

**Governance**

With regard to good governance issues, the key priorities for immediate implementation in the Pacific Plan for which the Programme has responsibility are:

- Regional support to consolidate commitments to key institutions such as Leadership Codes and Departments of Attorneys General, including through judicial training and education;
- Enhancement of governance mechanisms, including in resource management, and in the harmonisation of traditional and modern values and structures, and
- Where appropriate, ratification and implementation of international and regional human rights conventions etc and for meeting, reporting and other requirements.

The Programme assists members to adapt the Regional Model Leadership Code. On enhancing governance mechanisms, particularly the strengthening of traditional courts, the Secretariat has held consultations with various partners to identify work in this area.

Pacific Island Countries share a number of similar challenges in the law and justice field. Despite many years of regional effort and development assistance, some of these remain difficult to overcome. The Pacific Islands Law Officers’ Meeting (PILOM) is an annual meeting of senior government law officers from Pacific countries, most often Attorneys-General, Solicitors-General and senior Crown Counsel. PILOM members believe that PILOM could and should be more effective, and wish to pursue greater cooperation and engage more strongly in shaping the regional legal agenda. In support of this and at the request of PILOM, the Programme in 2006 coordinated a significant Review of regional cooperation in law and justice and the role of PILOM. The Review was finalised in consultation with PILOM members, for discussion at the 25th PILOM scheduled for early 2007.

Following the first Human Rights Mechanisms Workshop held in Nadi in 2005, the Secretariat has become more engaged, with key partners, in human rights issues. Research papers have been commissioned on national human rights institutions, the interface between custom and human rights, and the added value for States in ratifying international human rights treaties. This is a complicated area – and one in which the approaches taken by our members necessarily vary, and it is hoped that this research work will help them work through the issues.

**Election Observation**

The observation of elections in Forum member countries has become a valued and growing area of the Forum’s work in 2005-2006. Forum election observation missions are particularly targeted to those members holding elections following conflict or crisis situations, as part of the Forum’s support for the restoration of peaceful and democratic governance under the Biketawa Declaration.

Forum teams observed the first election of the Bougainville Autonomous Government in May 2005, the Solomon Islands’ national election in April 2006 and Fiji’s national election in May 2006. In each case the observers reported that the elections were credible and their results should be respected, while offering recommendations to the relevant governments and election authorities on how the processes might be improved for future elections.

**Political and Security Programme continued**

...
The Secretariat has also assisted the Republic of Marshall Islands in coordinating regional support for its advocacy with the United States Government on the impact of US radioactive testing in RMI.

**Institutional Issues**

**Leaders’ Summits**

The Programme plays a major role in facilitating the Leaders’ summits including the annual Leaders’ meeting. In 2006, there were summits with Japan and France, and the China-Pol Economic Development & Cooperation Forum to which the Programme provided support. 2006 was a particularly heavy one in terms of Leaders’ summits but it was gratifying to receive positive feedback about the support provided by the Secretariat to these meetings.

**New Forum Agreement**

In a significant legal development, 2005 saw the negotiation of a new constituent agreement for the Forum. The Agreement establishing the Pacific Islands Forum was developed by a working group of Forum members, and with the agreement of all, was adopted and opened for signature on 27 October 2005 at the Forum Leaders’ Meeting in Port Moresby.

The new Agreement embodies a number of changes which reflect the 2004 decisions made by Leaders about the future directions for the Forum. Perhaps most notably, the new Agreement will establish the Forum as an intergovernmental organisation under international law. Provisions relating to the Forum’s membership, purpose and functions have also been comprehensively updated to reflect present practices and new directions, in accordance with Leaders’ recent decisions.

By the end of 2006 all Forum members had signed the new Agreement, and one member had ratified it. The new Agreement will enter into force when one member had ratified it. The new Agreement embodies a number of changes which reflect the 2004 decisions made by Leaders about the future directions for the Forum. Perhaps most notably, the new Agreement will establish the Forum as an intergovernmental organisation under international law. Provisions relating to the Forum’s membership, purpose and functions have also been comprehensively updated to reflect present practices and new directions, in accordance with Leaders’ recent decisions.

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Leaders also welcomed new observers in 2005-06: Tokelau, Wallis & Futuna, the Commonwealth Secretariat and the United Nations. Timor Leste remains a Special Observer, while the Asian Development Bank has also been invited to take up observer status.

**Associate Members and Observers**

An historic step in the evolution of the Forum was made during 2005-06 with the expansion of the Forum family in new ways. At their 2005 meeting Forum Leaders established a category of associate membership in the Forum, which is open to non-independent Pacific territories meeting certain criteria. Leaders also agreed to expand the criteria for Forum observer status, allowing more territories as well as certain intergovernmental organisations to become Forum observers.

At the 2006 Forum, Leaders welcomed French Polynesia and New Caledonia as the Forum’s first associate members. This allows the two territories to participate more fully in Forum meetings, events and opportunities, although decision-making power remains with the full Forum members.

Leaders also welcomed new observers in 2005-06: Tokelau, Wallis & Futuna, the Commonwealth Secretariat and the United Nations. Timor Leste remains a Special Observer, while the Asian Development Bank has also been invited to take up observer status. Depositary

The Secretariat acts as Depositary for nine regional treaties, providing the Parties to each of those treaties and the wider public with up-to-date information on their status. During 2005-06 the Programme also assisted the Parties with the negotiation and implementation of amendments to the Pacific Islands Civil Aviation Safety and Security Treaty (PICASST), the Pacific Island Countries Trade Agreement (PICTA) and the Protocols to the Convention for the Protection of the Natural Resources and Environment of the South Pacific Region (Noumea Convention).

**ECONOMIC GOVERNANCE PROGRAMME**

During the reporting period, the Economic Governance Programme continued to help Members through advice on economic policy and development with a view to incorporating the principle of sound economic governance into everyday practices; to improve Member's trade and investment performance through policy advice and technical assistance on multilateral trade, regional integration and trade facilitation, business development, export and investment promotion and import management; and, through the work of the Forum’s Trade Offices.

**Economic Governance**

Good economic governance ensures the sound management of a country’s resources. In the Pacific, where human, financial and natural resources form constraints on development, their efficient use is vital to promote sustained economic growth and to improve livelihoods.

**Forum Economic Ministers Meeting (FEMM)**

The Forum Economic Ministers Meetings (FEMM) supports the pursuit of good governance and sustainable development by providing an annual opportunity for member countries to develop appropriate economic policy frameworks and share country experiences. The tenth annual meeting of the Forum Economic Ministers, held in Honiara, Solomon Islands, reaffirmed the FEMMs 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’.

A Biennial Stock-take on the progress of outcomes and the implementation of FEMM decisions in the areas of good governance, economic reform, financial reform and public enterprises, is ongoing.

The implementation of the FEMM principles relating to financial and economic reforms appear to be progressing well, while the least implementation has occurred in the progress towards best practice principles for public enterprises. The stock-take recorded a consistent shortage of technical skills as the most common constraint to the implementation of FEMM commitments in every area under review while the Smaller Island States (SIS) emphasized insufficient levels of human resources as a consistent critical barrier to implementation.

**Regulation and Regional Economic Integration**

Work on a Regional Regulatory Blueprint began in 2006 which included a stock-take 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.

**Economic Reforms and Economic Regulation**

Following on from the FEMM Outcomes, a regional workshop on Economic Reforms and Economic Regulation was held in Fiji in December 2006, to review guidelines towards improving the implementation of key commitments on economic reforms made by Forum Economic Ministers; and to strengthen national level analysis of the impacts of these commitments.

The workshop identified a number of challenges to the implementation of FEMM commitments, in addition to those highlighted in the 2006 FEMM Biennial Stock-take. 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. Furthermore, the workshop noted the importance of institutional arrangements to better support coordinated, inter-ministerial and inter-departmental, policy formulation and implementation.

In considering challenges to the effective analysis of reform impacts, and consistent with previous FEMM considerations on the same, the workshop also reinforced a number of national level guidelines.

**Infrastructure Development:**

**Aviation**

**Pacific Islands Air Services Agreement (PIASA)**

Air Transport liberalisation has been a catalyst for increased economic growth and employment in the Pacific and around the world. In a liberalised aviation environment, Governments play an umpire role in that they ensure that the airlines are safe and reliable but do not interfere in fair competition, this is best left to market forces. Liberalizing air transport in the Pacific will contribute to increased economic growth and employment, especially related to tourism and trade.

The Pacific Islands Air Services Agreement (PIASA) is designed to gradually replace the existing system of bilateral air services agreements between FICs with one agreement to cooperatively liberalise air services. In doing so, it sets out an achievable, programme that will deliver long-term benefits to the island economies. It will do so by creating a regulatory framework that will equip the FIC airlines to operate in an increasingly competitive global and regional commercial environment. PIASA is driven by the need to allow countries’ air services to fully develop and become more efficient, it is the result of a regional effort to create a regional solution to existing problems. This has been the goal of PIASA for some time.

To date nine (9) Countries have signed PIASA and five (5) have ratified. The PIFS is currently pursuing the last ratifications to obtain the required number for the Agreement to come into force. Work on PIASA continues and we hope to have a few more of our members sign and ratified PIASA this year.

**Forum Principles on Regional Transport Services**

Implementation of FPRTS has been a steady process. While some member countries are well underway in developing and implementing national transport strategies, legislation and policies, others have a bit of work to do. The members have been asked to advise the Secretariat of any assistance required to assist them in implementing the FPRTS.

So far, FICs have indicated a general progress towards implementation especially in terms of accountability. There are nevertheless, significant barriers to full implementation, and while some FICs have indicated a clear intent to implement the principles, there remains a considerable disparity in the degree of implementation achieved by member countries.

A transport workshop scheduled for early in 2007 will address how the FPRTS should be incorporated into national transport policies and decision-making. The workshop will also explore a more in-depth understanding of what the principles. The workshop will also incorporate a half-day session on PASO and PIASA.

• **Information and Communication Technology:**

Information and Communication Technologies issues have remained at the forefront of the region’s agenda for several reasons – countries are undertaking their own reforms in their telecommunications and ICT sectors – and at the regional level a Digital Strategy, as sought by our Leaders, has been developed. In March of 2006, Forum ICT Ministers met in Wellington, New Zealand to carry forward the strategy.

A key outcome of that meeting was the establishment of a Taskforce on Regional Approaches to ICTs to analyse the benefits to be gained from regional cooperation for both smaller island states and larger Pacific island countries, to investigate policy, regulatory, legislative, operational, platform, services, resource and capacity impediments and advantages in developing regional cooperative approaches; and investigate the potential of regional approaches in

**Economic Governance continued**
Another outcome was the agreed assistance and support for regulatory Government agencies and a basic encouraging and assisting countries stakeholder engagement; working on looking at infrastructure, services, data collection on e-readiness, focusing on targeted activities and Digital Strategy in the first year, Roadmap for implementing the educational outcomes.

Regional Integration, Multilateral Trade, and Trade Facilitation

Pacific Island Countries Trade Agreement (PICTA)

In taking the step toward establishing a regional free trade agreement through the Pacific Island Countries Trade Agreement (PICTA), the FICs recognise that regional economic integration is also part of a strategy for integration with the world economy. Economic integration with close neighbours and with other compatible partner economies has the potential to assist FIC economies prepare for the larger step of opening to global competition. Regional economic integration can also provide a basis for FIC partners to coordinate their international economic policies, thereby assisting them to operate more effectively within the international economy.

The PICTA entered into force in 2005 and by end-2006, three Forum island Countries (FICs) namely Cook Islands, Fiji and Samoa were ready to commence trading under PICTA. Six FICs - Kiribati, Nauru, PNG, Solomon Islands, Tonga and Vanuatu have completed their notification requirement under the Agreement. They will commence trading under PICTA once they have put in place the legislative changes to accommodate PICTA. NIue has signed and ratified PICTA, but is yet to complete its notification requirements while Tuvalu and the Federated States of Micronesia have signed but have not ratified the Agreement. Palau and the Republic of the Marshall Islands are yet to sign PICTA.

The overall objective of PICTA is to provide the requisite trading environment conducive to the free flow of goods amongst the FICs which is targeted to grow by 5% by 2008. It is anticipated that the economic and trade integration processes in PICTA would eventually contribute to the gradual increase in trade from FICs with markets such as Australia, New Zealand, Asia, Europe, and ACP markets, enhancing closer integration with the world economy.

At this stage, PICTA provides for trade in goods only. Under the provisions pertaining to tariff reductions in goods, PNG, Fiji and Tonga will commence tariff reductions from 2007 while the remaining LDC and SIS FICs will commence reductions from 2009. Following the entry into force of PICTA, the focus has been on the completion of notification requirements, agreement of the Rules of Origin (ROO) including national training on the ROO. The aim is to have all PICTA parties complete their notification requirements to facilitate the initiation of tariff reductions. PICTA ROO training has been targeted at national and regional level, the latter, an effort to build a pool of ROO resource trainers at the national level. Under PICTA, a Free Trade Agreement (FTA) is established which provides for the phasing out of tariffs on originating goods over an 8 year period.

Consideration is being given to the possible extension of PICTA to cover trade in services. Exploratory work has been undertaken in sectors such as aviation, shipping, finance, telecommunications, health, education and tourism. National consultations on Services have been completed for twelve countries and a regional workshop on service liberalisation in the context of PICTA is expected to be held in 2007 to seek further inputs on the modalities, potential structure and principles of a proposed trade in services agreement. The PICTA Secretariat has maintained an in-house capacity to assist members with the regulation of multinational petroleum suppliers in the region. These services have been used extensively by the majority of the FICs. An example is the assistance provided to Fiji for its regulatory framework review and to the Federated States of Micronesia on a regulatory contract with a multinational supplier.

A mechanism for regional aggregation of demand and supply has been proposed for use by the Smaller island States, and a meeting of SIS was held in 2006 to process this work. The Secretariat has maintained an in-house capacity to assist members with the regulation of multinational petroleum suppliers in the region. These services have been used extensively by the majority of the FICs. An example is the assistance provided to Fiji for its regulatory framework review and to the Federated States of Micronesia on a regulatory contract with a multinational supplier.

Economic Governance

Continued

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the PACER will use this framework for the gradual trade and economic integration of their economies in a way that is fully supportive of sustainable development and contributes to their gradual and progressive integration into the international economy. A key feature of PACER is the establishment of a programme of trade facilitation measures that has been encapsulated in a “Regional Trade Facilitation Program” (RTFP – FJD 4.5 million). The RTFP comprises three components – Customs, Standards & Conformance and Quarantine – had been implemented to a satisfactory level. The need for further information dissemination on RTFP had been highlighted with additional trade facilitation initiatives being developed for the coming years. The future of PACER had been a subject of much discussion and which culminated into the commissioning of a gap analysis study.

**Community and Indian Ocean**

**the WTO Small Economies Work**

and a baseline study.

**The commissioning of a gap analysis**

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**Economic Governance continued**

**Multilateral Trade Policy**

Progress on the development of the WTO Small Economies Work Programme continued through collaboration with the Caribbean Community and Indian Ocean Commission. Further support for that work had been advanced following the appointment in 2005 of the Forum Representative to the WTO, Mr Robert Sisolo of the Solomon Islands. He has been assisted by a technical advisor, Ms Manleen Dugal, who joined the Forum Representation in the last quarter 2006 for a term of one year. Ms Dugal’s appointment was made possible through the assistance of the Commonwealth Secretariat. The Representation has been instrumental in providing the region with monthly reports on WTO and other related relevant developments. Since its establishment in 2004 it has played host to three senior regional trade officials on six monthly attachments under the Secretariat’s capacity building programme on WTO issues. A fourth official will be joining the representation shortly.

**Cotonou Trade Issues/Economic Partnership Agreements**

As part of preparations for negotiation of an Economic Partnership Agreement (EPA) with the European Union, the Secretariat completed the 4th round of national EPA consultations since 2002. The Pacific ACP Trade Ministers endorsed the work of Pacific ACP trade officials and put together a timetable for future preparations and negotiations.

The preparatory activities and the negotiation process have been streamlined by Ministers – the major change being the establishment of a single Negotiating Group at Senior Officials’ level. This is working well, as demonstrated in the negotiations in July of 2006. Those negotiations were positive in spirit and both the Pacific ACP and the EU sides have agreed to move forward by preparing joint papers on tourism, investment and fisheries. They considered important legal and technical issues at their meeting in October 2006 and reported to Pacific ACP Trade Ministers in November in Port Vila. An intensive course in trade negotiation skills was held in July for representatives from the Secretariat, the Ministerial Regional Negotiating Team and Senior Trade Officials who will be involved in negotiations over the next year.

**Intellectual Property Rights**

**Intellectual Property (IP) Rights policy development aims to strengthen the region’s IP regimes and laws and provides the enabling environment that is conducive to private sector and investment interests. Key activities for the year focused on regional collaboration, in particular advancing the proposed regional facility for trade mark, training for IP officers and the raising of public awareness. The Secretariat’s partners – the World Intellectual Property Organization (WIPO) and the Government of Australia through IP Australia, have continued to play a key role as technical assistance providers under the project.**

**Frameworks to address indigenous IP** have progressed further following the endorsement of the Regional Model Law for the Protection of Traditional Knowledge and Expressions of Culture in 2002 with five countries – Cook Islands, Fiji, Papua New Guinea, Palau and Vanuatu, taking measures to adapt the model law. A similar regional framework to address Traditional Ecological Knowledge, Innovations and Practice is in the process of development.

**Pacific Regional Economic Integration Programme (PACREIP)**

The Financing Agreement, 9 ACP EPA 006 for the Pacific Regional Economic Integration Programme (PACREIP) for 9.2 million between the European Commission (EC) and the Pacific ACP States (PACPS) was entered into force on 7 February 2004. The PACREIP began operations in the second half of 2004 and is scheduled to continue until June 2009.

The overall objective of PACREIP is the sustainable development of the PACP economies as an economically integrated region. Specifically, PACREIP supports and facilitates the PACPS preparations for and conduct of their Economic Partnership Agreement (EPA) negotiations with the European Union (EU) with the aim of achieving a favourable outcome that fully reflects the PACPS’ interests and aspirations. PACREIP contributes to the overall process of enhancing regional economic and trade integration not only within the PACP region but also globally. The PACREIP supports regional economic integration of the PACPS in two important ways:

- First, consolidation of the PACPS as an integrated regional unit through the establishment of a free trade area covering the PACPS, and second, engagement of the PACPS as a regional unit in the wider regional and global processes, including in negotiation and subsequent operation of trade with developed country partners such as the EU, and also in multilateral negotiations at the World Trade Organization (WTO).

PACREIP has six components. Their key objectives are:

1) The progressive implementation and development of the Pacific Islands Countries Trade Agreement (PICTA);
2) The successful establishment of new trade arrangements between the PACP region and the EU;
3) Improved PACP capacity to negotiate and promote WTO-related issues;
4) Strengthened PACP capacity to manage the process of regional economic integration in the areas of Private Sector Development, Trade Facilitation, Biosecurity, Trade Facilitation, Customs, Financial...
5) Regionally integrated development of environmentally sustainable Small Medium Enterprises (SME)-based tourism; and
6) Efficient coordination and management of regional economic integration and development of appropriate policy framework.

Business Development, Export and Investment Promotion and Import Management

Investment Policy and Promotion

Advisory support to the FICs on investment policy issues continued throughout the year. The key recommendation from the 2006 Heads of Investment Promotion Agencies Meeting (HIPAM) in Vava’u, Tonga was for PIFS to support the development of Individual Action Plans for each FIC to help address key issues known to be impeding private investment in the region. The Plans, to be developed by the Investment Promotion Agencies (IPAs) themselves under the guidance of PIFS, will be presented at the 2007 HIPAM which will also be attended by Ministers Responsible for Investment. The Plans are expected to be reinforced by means of improving the IPAs’ capacity for advocating policy reforms through collaboration with UNCTAD as discussed during the 2006 UNCTAD Meeting on Advocacy for Investment Policy in Geneva. A further recommendation of the 2006 HIPAM on the need to raise awareness and clarify the complexities of the Investment Modality for the EPA negotiations with the EU will be realised through a regional workshop that is scheduled for Fiji in early 2007.

Private Sector Policy Development

Under the Regional Private Sector Development (PSD) Strategy, a mission to Niue helped identify initiatives that could foster small business development in the country. The mission ended with the tabling of a report to Cabinet.

PIFS continued its support for PIPSO, linking up PIPSO with the Asia Pacific Economic Cooperation (APEC) Business Advisory Council. PIPSO also completed its the development of its Strategic and Business Plans. Further assistance from PIFS has been committed to PIPSO, especially towards the proposed establishment of its Secretariat which is expected to be operational by March 2007.

Ongoing collaboration with APEC enabled the second series of visits to the region by experts from Bank Rakyat Indonesia, who conducted Microfinance Training Workshops in RMI, Vanuatu and Tonga. FSM and Cook Islands were also represented at the RMI and Tonga workshops, respectively. A notable development following these workshops was the establishment of a Microfinance Scheme within the Bank of Marshall Islands eight weeks after the workshop in Majuro.

Further support for PSD was realized through a PACREIP-funded Regional Honey Standards Development Workshop that recommended the introduction of a set of standards to guide honey production in the region, consistent with various international standards. Agreement was also reached on the establishment of a Pacific Islands Apiculture Council, which is made entirely of representatives from privately-owned honey producing entities.

COMSEC continued to be very active in the region as it supported the participation of PIFS and selected FICs in the Government of India/COMSEC SME Competitiveness Development Programme in India. COMSEC also assisted in the organization of a mission from the National Small Industries Corporation of India that visited Fiji, Samoa, Tonga and Vanuatu to identify SME-related capacity building and business linkage opportunities that the Government of India could help in. A National Public-Private Partnership (PPP) Preparedness Workshop in Fiji that was co-organized with COMSEC helped raise awareness among municipal authorities on the possibility of developing infrastructure facilities through PPPs.

Direct support to the private sector was provided through the Marketing Support Fund that helped improve the marketing and export capabilities of companies and SME capacity building through the Industrial Development Training and the Niche Product Development Projects.

In country product development workshops in value adding to agricultural produce are ongoing on a national basis, with the Cook Islands being the most recent FIC to benefit from these. Handicraft development workshops are ongoing especially in the Micronesian FICs. Kiribati and Nauru have reaped benefits from these with bulk sales of handicraft items to TradeAid, New Zealand. An assessment of the handicraft industry in the FSM, Palau and the RMI was conducted in October 2006 and ongoing assistance will be provided towards the development of the industry in these FICs.

Business development for the SMEs was a major focus of a regional workshop held in November 2006 with particular emphasis on business toolkits and incubators. This work is ongoing with in-country training being planned in 2007 for the FICs on the toolkits. Assistance for private sector organisations and SME associations with their strategic and operational plans is crucial to the development of the private sector and this work will continue to be a key area of support to the private sector.

Forum’s Trade Offices

The Trade Offices in Auckland, Beijing, Sydney and Tokyo continued to provide direct support to the region’s private and public sectors. The given support focused primarily on trade facilitation advice to assist with exports, product promotions and marketing, investment promotion, business facilitation, tourism promotion, technical capacity building, networking, image building, import procurement and the dissemination of information.

Pacific Islands Trade and Investment Commission (PITIC) Auckland

As part of the PITIC NZ Business Plan 2006-2008, the Commission focused on implementing the first stage of its strategies to strengthen and establish key strategic alliances with stakeholders, building and sustaining creativity and innovation amongst the private sector and promoting and empowering domestic entrepreneurship.

The Commission played a key role in the formation of the NZ Pacific Business Council in 2005 as part of...
During this period, the Commission undertook several key projects and new initiatives. These included facilitating a consultancy on the importation of Fiji Taro at the request of the Fiji Government; sponsorship of TAV Ltd of the Cook Islands at the Air New Zealand Fashion Week; Pacific product launches in (to) the New Zealand market - breadfruit and papaya by Samoan Trade and frozen palusami and breadfruit by CJ Exports Enterprise, Samoa.

An on-line database, www.pacific Biz-online.com was launched in association with the Pacific Co-operation Foundation allowing Pacific Islands-based businesses a free opportunity to market themselves via the internet. The Commission also participated in several trade shows and in 2006 funded a new category in the NZ Hospitality Show called Island Influences; aimed at the restaurant industry to promote Pacific Island products to New Zealand chefs. A new electronic newsletter called The NZ Pacific Trade Explorer was distributed to update key stakeholders of latest trade innovations and developments.

Under the Investment portfolio, three major investment promotions were successfully held during the reporting period: in 2005 the Samoa Tourism Investment Seminar, the Jewel in the Isles Pacific Islands Tourism Investment Road Show with representation from the Cook Islands, New Caledonia, Vanuatu, PNG, Solomon Islands and Samoa held in Christchurch, Wellington and Auckland; in 2006 the Pacific Islands Tourism Investment Seminar held in Auckland and an Improving Investor Query Handling Seminar held in Tonga prior to the HIFAM meeting 2006. In addition, the Commission forged new strategic partnerships with Deloitte in a major review of the PIFTO NZ Investment Strategy undertaken, with Ernst and Young to undertake a research on the NZ Investment market for the Pacific Islands and Dunn & Bradstreet for the completion of the online Pacific Investment Toolkit.

Projects undertaken by the Commission and the individual FICs were supported and promoted to key stakeholders via partnerships developed with mainstream and Pacific media organizations. These included an ongoing partnership with S panish Island Business (IB) magazines and the IB website, targeted advertising in business newspapers/magazines, media releases of key events, and the relaunch of the Commission website, the office newsletter called the NZ Pacific Navigator was redesigned, all helped to raise increased awareness amongst stakeholders on the functions of the Commission.

The PIFTO also worked closely with FICs exporters to get their products into China. Leading exports include Noni juice, Vanilla, Timber, Black Pearls and Mother of Pearl, and seafood products. Leading exports were generated from PNG, Cook Islands, Samoa, Fiji, French Polynesia, pearls and Mother of Pearl, and seafood products. Leading exports were generated from PNG, Cook Islands, Samoa, Fiji, French Polynesia, as well as a prominent Fijian label. The projects will be based in China, taking advantage of China’s low cost manufacturing base, modern technology, and skilled labour. The projects are ongoing and will be facilitated throughout 2007.

By the end of 2006, PIFTO engaged two new joint venture projects for the manufacture of ready-to-wear clothing by a prominent Cook Islands label, as well as a prominent Fijian label. The projects will be based in China, taking advantage of China’s low cost manufacturing base, modern technology, and skilled labour. The projects are ongoing and will be facilitated throughout 2007.

In addition, PIFTO facilitated business delegations to leading Pacific Islands including Fiji, Samoa, PNG, Vanuatu, and the FSM, with more planned for early 2007.

Tourism
PIFTOs tourism unit launched new wholesale packages to Tonga, Samoa, Vanuatu, PNG, Tahiti and the Cook Islands which is due to be completed in 2007 and assisted FICs with their individual projects under the Private Sector Marketing Fund focused on developing marketing promotional tools. Key strategic partnerships were signed with Dive Fish and Snow Travel as well as NZ Dive Magazine to promote diving in Melanesia and Micronesia online. A partnership to promote pensions in Tahiti was signed with Tahiti Vacations, a NZ based outbound tour operator specialising in Tahiti. The tourism portfolio in conjunction with the Forum’s PSD Unit continues to assist with grassroots tourism development through a series of training workshops in Micronesia on developing handicrafts for the NZ market.

PIFTOs trade division engaged many business-matching enquiries from the FICs and successfully located partners and suppliers in China. Key products sought by FICs companies included clothing-textiles-footwear, building materials, printing equipment and supplies, food processing machinery & equipment, various food items and many more. Leading FICs engaged in sourcing product from China included PNG, Fiji, Samoa, Tonga, FSM, New Caledonia, French Polynesia, and the Cook Islands. PIFTOs trade division also facilitated ground arrangements for business visits by delegations from FSM, Samoa, Fiji, PNG, and the Cook Islands. PIFTO also showcased Pacific exports at various Trade Fairs throughout China including; China Forestry Products Fair, Canton Fair, China International Jewelry Fair, China Agriculture Products Fair, China International Seafood Fair, and many more. The Pacific Islands booth attracted many inquiries that were followed up on throughout the year.

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Pacific Islands. The Unit is working closely with ten large agencies throughout China to provide competitive packages and up to date destination information for their VIP client lists.

Furthermore, the Tourism Unit engaged media initiatives that resulted in Pacific Islands advertisements in China’s leading travel publications, including Traveller, TN, Global Traveller, and key regional daily newspapers.

The tourism unit coordinated the participation of product managers from leading travel companies to the annual Bula Fiji Tourism Exchange in Nadi. The tourism unit also provided support services to the various Pacific delegations attending the China International Travel Mart in Shanghai.

**Economic Governance continued**

**Culture**

PFTOs foray into Pacific culture promotions were limited to the placement of its resident troupe ‘Pearls of the Pacific’ at key events and televised shows throughout China. The Dance Troupe comprises Pacific Islanders and Chinese performers who have worked together in key corporate events in Beijing, Shanghai, and Guangzhou. The dance troupe also provides cultural entertainment for key branding events organised by Tahitian Noni and Perles de Tahiti.

**Education**

PFTO boosted its Education Development work by assisting the China Ministry of Education and the Education Forum for Asia to facilitate the participation of Ministers and top Officials from many FICs at the annual Education Forum For Asia Conference held in Beijing. The Pacific Ministerial delegation gave excellent presentations at the high-powered event and also convened the first China-Pacific Islands Education Forum that resulted in project commitments by China’s Education Ministry to the FICs.

**Special Projects**

PFTOs newly created Business Development Unit engaged key projects for the future development of opportunities between the Pacific Islands and China. The unit commenced updating all FICs business information. The Unit also participated at the PROFIT Conference in Vanuatu and was able to meet with Pacific Islands tourism real estate project proponents. The Unit has analyzed/screened viable projects and has forwarded short listed projects to the Investment Development unit for presentation to Chinese investment groups. The Unit will also tackle new emerging business trends and will identify ways for FICs to engage business opportunities with China.

**Pacific Islands Trade & Investment Commission (PITIC), Sydney**

PITIC Sydney continued its mission of contributing to practical business and trade development initiatives in the region through its four key focus areas: Export and Enterprise Development, Tourism Promotion and Development, Special Projects and Information Support Services.

To maximise on the skills and availability of expertise and establishments, PITIC Sydney continued to engage with regional and international network agencies - including NGOs - to help deliver its services to the FICs. In Vanuatu, it was an ongoing artisan skills training, scholarship program for 30 ni-Vanuatu female school leavers. This program is managed by the Vanuatu Rural Development Training Centres Association (VARDTCA) while the training is delivered by young volunteers of the US Peacecorps in the outer islands of Vanuatu.

In its efforts to directly support rural community programs in the region, PITIC Sydney actively promoted culture and tourism development as important economic activities. It did so through ongoing collaborations with UNESCO (Samoa Office) to further research the uniqueness of ‘intangible heritage tourism’ (IHT) and traditional knowledge (TK) practices. The tourism project proposals involve turtle and shark calling in Fiji and PNG.

PITIC Sydney also maintained its support for rural enterprise development. For example, its aim of using NGOs to support community development and poverty reduction initiatives resulted in practical support for FRIEND, an NGO based in Fiji, to improve its packaging and labelling of jams and chutneys to better target international export markets.

**Pacific Islands Centre (PIC), Tokyo**

PIC’s approach to fostering trade, investment and tourism developments between Forum Island Countries (FICs) and Japan was delivered through a major upgrade of its website to include a Virtual Shopping Mall; organization of the Pacific Islands Business Information Centre; the Pacific Islands Centre in Tokyo; and a flyer titled Useful Contacts for Pacific island Exporters.

A number of innovative private sector support programs were initiated, including working directly with a number of peak industry bodies in the FICs (Chambers of Commerce & Industry and Manufacturing) to value add to their efforts in business development at the in-country level. One valuable outcome from this process was the Commission’s direct involvement in the modification and re-design of the website of the Solomon Islands Chamber of Commerce and Industry.

In the area of PR and information support, following a 3% rise in the number of requests from clients, PITIC Sydney increased its distribution of in house publications including for dissemination at regional meetings. Two major publications in the period were the 2005 Australia Outbound Travel report which presents statistical analysis of Australian travellers to the eleven members of the South Pacific Tourism Organisation; and a flyer titled Useful Contacts for Pacific island Exporters.
Exhibition and other international events; facilitated business negotiations between Japanese companies and FICs; organized two trade missions to the region; as well as a range of trade and investment awareness workshops and seminars throughout local cities in Japan.

In view of the vast distances between Japan and the Pacific region, the PIC stepped up on its efforts to disseminate trade, investment and tourism-related through the internet. Much of its efforts are paying off as the number of visits to their website has increased ten-fold. This has had an effect on the number of inquiries through the office from the Japanese public wanting trade-related information. The PIC website enjoyed an excellent reputation among the Japanese public for information content, clarity and up-to-date information on investment opportunities, exportable products, etc. The fact that the PIC URL is listed on the first page in the search engines of each Google, Yahoo and MSN is evidence of its popularity. As such, there were marked increases in the number of bona-fide inquiries for large scale trade and investment ventures, some of which saw actual negotiations and/or sales agreements. In association with the Forum Secretariat and JETRO, PIC organized the biggest-ever Pacific Islands Exhibition in 2006, which saw a number of FICs in attendance to showcase their products to the Japanese business communities. This event will be followed by a Supermarket Trade Show in February 2007. The Centre represented a number of FICs in the Marine Diving Fair in 2006 and showcased information on tourism to targeted audiences which included such as travel agencies, media and general consumers.

The Centre continued to make deliberate efforts to promote trade opportunities in the FICs through its business missions. Two such missions were organized during this period to PNG and Fiji. The mission to Fiji was a “fact-finding visit” and consisted of PIC staff whose task was to identify problems faced by Fiji entrepreneurs in exporting their products to Japan. The PNG mission aimed to find new suppliers of shrimps; to undertake a feasibility study on the establishment of a factory to produce dried bonito; as well as to provide advice to the agricultural producers in PNG.

The JETRO’s successful business network, the Centre organized workshops and seminars in local cities throughout Tokyo to portray and disseminate information on the trade, investment and tourism climate in the FICs.

POLICY COORDINATION and ADVICE PROGRAMME

The Policy Coordination and Advice Programme (PCAP) deals with cross-cutting issues and integrates them across the programmes of the Forum Secretariat. It also works closely with other regional and international organisations and development partners to achieve the goals of the Pacific Plan.

Social Policy: Education

In May 2001, Ministers of Education of Forum Island countries met in Auckland New Zealand as directed by the Forum Economic Ministers to consider issues related to human resource development in the Forum region. The Ministers noted that while basic education is a priority in the region, this has not resulted in economic development. While recognising that some countries have made significant progress, and that the severity of problems with basic education varies significantly between countries, it appears that significant gains could be made through Forum members sharing their experiences, success and failures in basic education. Ministers noted the potential for sharing resources, particularly for inputs into basic education system across the region.

As such, the Forum Basic Education Action Plan (FBEAP) was developed within the context of the Education for All initiative, with the goal of achieving universal and equitable participation and achievement and to ensure access and equity and improve quality and outcomes. The Ministers requested that the Forum Secretariat be mandated to facilitate the arrangements to bring about the implementation of the Forum Basic Education Action Plan.

In August 2001, the Forum Leaders endorsed the FBEAP and in particular, welcomed the Pacific Vision for Education which outlines measures for translating the region’s priority on basic education into effective action through a set of regional initiatives.

A key agenda item at the annual Forum Education Ministers’ meeting (FEdMM) is the review of implementation of the FBEAP, which is progressing well. This review of the FBEAP forms the outcomes document for the Ministers meeting. Ministers have regularly reviewed the FBEAP since 2001 with the next meeting and review of the FBEAP planned for November 2007 in New Zealand. While a majority of FBEAP initiatives are undertaken at the national level, several are implemented at a regional level through the collaborative effort of various key regional development partners and stakeholders.

For the past 18 months, the Forum Secretariat has been managing the Regional Skills Development Project, through the ADB, which examines the supply and demand for different types of skills in the region. This project is in the final stages of completion with the final report expected in July 2007. The South Pacific Board for Educational Assessment (SPBEA) is the implementing agency for the Phase II phase that includes the phased scoping and development of a Regional Qualifications Framework (RFQ)
Register. AusAID has provided funds for the first phase of the development of the Register which includes an initial scoping exercise through three cluster consultations among Forum Island Countries. Following these cluster meetings a report will be presented to the 2007 FeMI/MM.

Following several discussions on the on the possibility of designing and delivering a higher education degree programme in the area of Special Needs Teacher Training in-in-service and pre-service teachers through distance education, the USP has agreed to develop and deliver degree level teacher training courses in special needs education. PRIDE is assisting with the development of these courses which should commence in late 2007.

Pride Project

The Pacific Regional Initiative for the Delivery of Basic Education (PRIDE) Project is the major project for action toward a barrier-free, rights-based and inclusive society for all in Asia and the Pacific, the Pacific Plan included an explicit reference to implementation of the Bwako Millennium Framework which is largely consistent with the provisions outlined in the new Convention on the rights of people with disabilities. The Forum Secretariat is already working with Forum Island Countries and the Pacific Disability Forum in addressing priorities identified in the Bwako Millennium Framework and therefore is already taking steps to addressing Convention obligations.

The Forum Secretariat also notes that there is a need to encourage the setup of Disabled Peoples Organizations where there is none and strengthen those where they exist. Inclusive in this approach is the need to confirm the Government focal points that takes the lead on all disability issues. This will indeed help towards making our facilities, our methods of work, even our attitudes and understanding geared towards treating persons with disabilities equally, towards accommodating and respecting differences while at the same time acknowledging equality in their rights and dignity.

For Forum Island Countries have much to gain by advancing the rights of people with disabilities and by supporting international treaties as the international Convention on Disability.

The Social Policy section also works with other programmes of the Forum Secretariat to integrate social concerns as a cross-cutting issue. An example of this is working with the Economic Growth Programme in the area of assessing the social impact of trade agreements, economic reforms and issues such as labour mobility.

The Social Policy section manages the Community Resource Development Working Group and the Health and Population Development Working Group. Both of these work with other programmes of the Secretariat to integrate social concerns as a cross-cutting issue. An example of this is working with the Economic Growth Programme in the area of assessing the social impact of trade agreements, economic reforms and issues such as labour mobility.

The Public Information section manages the Community Resource Development Working Group and the Health and Population Development Working Group. Both of these bring together a range of regional and international organisations, donors, development partners and civil society to discuss regional initiatives in their relevant areas. One of the objectives is to reduce duplication of effort and to promote and foster coordination among partners working in similar areas.

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particularly in the development and monitoring of the Regional Strategy on HIV/AIDS.

The Social Policy team also works with other sections of PIFS in areas such as assessing the social impacts of trade agreements; furthering the regional urbanisation agenda and participating in the regional land project.

**Sustainable Development Program**

The 2006 year saw rationalization of the Sustainable Development Program around Priority Initiatives listed in the Pacific Plan. Key PP Initiatives the SDP focused on included: 5.1 (NSDS), 13.4 and 5.4 (Disaster & Climate Change) and related Security issues (Land), and 5.6 (Financing).

**Pacific Plan Initiative 5.1**

The SDP focused on assisting member countries strengthen their NSDSs based decision-making processes. This included:

- strengthening their NSDSs, NSDP, NISP, etc under PP Initiative 5.1
- mainstreaming sectoral initiatives into their NSDSs, focusing on mainstreaming of DRR&DM under the PP Initiative 13.4 (DRR&DM), and or
- encouraging mainstreaming of climate change into NSDS
- building capacity for economic and policy analysis based, and interdisciplinary decision-making processes

Under the Pacific Plan Initiative 5.1

- Technical Assistance was provided to the Cook Islands, helping them to finalise their national sustainable development plan.
- TA to Tuvalu to help prepare for the donor roundtable discussion using sector plans linked to their Kageenga II.
- Under a UNDP and PIFS partnership, which also included other UN agencies, such as UNICEF and ESCAP conducted a workshop on MDG National Planning, involving senior planning officers from Forum member countries.

Other NSDS related activities included improving national decision-making processes based on economic analysis. Specific TA to member countries to strengthen economic and policy analysis based sectoral decision-making processes, including regarding solid waste management in Tonga, human waste management in Tuvalu, rural solid waste management in Fiji.

**Sustainable Development and Security issues**

To help implement sustainable development and security related initiatives under the Pacific Plan, a number of initiatives were begun:

- land as a source of conflict, and
- disaster as development/security issue

The SDP collaborates with the Political and Security Program on land as a source of conflict. SDP also provided inputs into the Commonwealth of Nations’ Regional Action Plan on Education for Sustainable Development, and Budgetary Measures, particularly on Human Rights.

For disaster as a development as well as national security issue, SDP also liaised with UN agencies such as the UN ESCAP and UNDP.

**Policy Advice and Coordination**

SDP assisted NY based missions by providing timely and quality briefs on sustainable development issues, including energy, climate change. SDP also provided inputs into several different regional and international meetings, including:

- CSD 14
- UNDP-PSRC workshop on MDG
- OECD-UNDESA meeting on NSDS
- CBD COP
- GEF Governing Councils

The SDP closely worked with other CROP agencies through the various CROP Working Groups (SDWG, MSGW, LRWG), Partnerships (Water, NSDS, DRR&DM) to improve coordination of regional initiatives and collaboration amongst the members.

**Miscellaneous**

SDP also:

- provided inputs into CDM initiatives coordinated by PAGREIP;
- helped coordinate initiative on education for sustainable development in the Pacific, in addition to making the key presentation at the Education Ministers Meeting. PIFS is now assisting USP in implementing the Education Ministers decision to assist member countries to develop a Regional Action Plan on Education for Sustainable Development.

For the first time Pacific Islands Forum Secretariat was able to secure the placement of an Australian Youth Ambassador to work on resource and environmental economics aspects of regional SD issues.

**GOOD GOVERNANCE PROGRAMME**

The key priorities for implementation in the Pacific Plan for which the Programme also has work underway are:

- Regional support to consolidate commitments to key institutions, in particular, the regional ombudsmen;
- Support to the Forum Principles of Good Leadership and Accountability;
- Enhancement of governance mechanisms, including resource management, and the traditional harmonization of traditional and modern governance values and structures. Milestones covered under this initiative include media, freedom of information, good governance education and development and monitoring of governance indicators;
- Where appropriate, implementation...
of international and human rights conventions, particularly support for CEDAW ratification, implementation and reporting, and operationalisation of UNSCR1352.

- Participatory democracy and consultative decision-making (including NSAs, youth, women and disabled).

Strong partnerships continue to be maintained with development partners on good governance initiatives for the region. On the regional ombudsman initiative the Programme is working with UNDP Pacific Centre, the Australian Commonwealth Ombudsman and AusAID. A new activity on regional support for the Forum Principles of Good Leadership and Accountability which the Programme has been closely involved with is AusAID's Pacific Leadership Program (PLP). PLP is proposed in the White Paper on Australia's Overseas Aid Program as part of an initiative to build new governance and partnerships in better governance and leadership in partner countries in the Pacific and East Timor. This program complements ongoing regional good governance education by PIAS-DG through its engagement with current and future leaders on issues of good governance and accountability. It seeks to focus on both the skills and values of ethical and effective leadership.

On harmonising traditional and modern values and structures, the Programme is working in collaboration with UNDP Pacific Centre, the Commonwealth Local Government Forum's Pacific Project, PIAS-DG and the FSPI on this initiative. The Programme continues to have and support the Commonwealth Human Rights Initiative (CHR), the UNDP Pacific Centre and the Pacific Centre for Public Integrity (PCPI) to encourage discussion of freedom of information principles and right to information at an appropriate pace towards legislation to create FOI principles.

On promoting participatory democracy, CEDAW and UNSCR 1352, the Programme continues its implementation efforts, including articulating and defining Leaders' decision on improving the low level of participation of women and youth in decision-making processes and structures. Work on this front builds on that undertaken in partnership with AusAID, UNIFEM, PIAS-DG, SPC and FemLinkPacific.

**ENABLING MECHANISMS**

The Pacific Islands Forum Secretariat via the EnablingMechanismsUnit coordinates several programmes and initiatives which provide facilitative assistance to member countries. These include Aid Effectiveness, Funding Assistance, Internships and Scholarships, the Smaller Island States Unit and Pacific Regional Assistance to Nauru (PRAN).

Aid Effectiveness:

The Enabling Mechanisms Unit has as one of its major functions the ensuring of the effectiveness of development assistance in Forum Member Countries.

Since the Rome Declaration in 2003 and following the Paris Declaration in 2005 on Aid Effectiveness and Donor Harmonization, many of the Pacific Island countries, working together with their development partners, have made some progress in developing systems and mechanisms for effective aid coordination. Following the Pacific Island Countries/Development Partners Meeting in 2004 the Secretariat commissioned a study on Aid Effectiveness in the Pacific. The findings of the study were presented at the PIC/Development Partners Meeting in Funafuti, Tuvalu in June 2005. A number of key principles were highlighted that would enable effective planning and delivery of development assistance to the Pacific with particular emphasis on capacity building and skills transfer, recipient government ownership and leadership. Also highlighted was the need to build on existing systems and procedures with proper planning and sequencing in line with local needs and capacity.

The study recognised the need to develop policies on the use of technical assistance including for appropriate management reporting and contracting arrangements. The study also recommended the development of a set of guiding principles that would facilitate aid coordination in the Pacific and assist Smaller Island States strengthen their capacity to manage aid programs. The recommendations of the Aid Effectiveness Study were supported by Members and Development Partners present and the Secretariat was directed to develop a set of Pacific Principles for Aid Effectiveness. A first draft was presented at a Pacific Regional Workshop on Aid Effectiveness and Harmonisation convened in Nadi, Fiji in November 2005. Following comments received at the Nadi Workshop the draft was revised and tabled at the 2006 PIC/Development Partners Meeting, in Honiara, Solomon Islands and received in-principle approval. It is anticipated that the principles would be finalized at the next PIC/Development Partners meeting scheduled to be convened in Koror, Palau in July 2007.

Beginning in 2006, the Unit commenced work in the compilation of Official Development Assistance (ODA) Statistics relevant to Forum Island Countries, available through various official sources on the World Wide Web (including the web-sites of the Organisation for Economic Cooperation and Development [OECD], World Bank, and the United Nations) into a single Microsoft Access Database, for the use of interested parties at the Secretariat wishing to access the information. The data base will be updated periodically.

Efforts are currently underway, to finalise case studies on the Aid Management institutional infrastructure arrangements in place in several Forum Island Countries (FICs). These will become useful in terms of their value as comparison of best-practices. Finalisation on the Case Studies relating to Nauru and Tuvalu are currently being made. Research in the areas of delivery modalities, trust funds and other areas has continuously been...
Enabling Mechanisms continued

The division is responsible for coordinating special funding assistance schemes which are available to member countries. These include: Short Term Advisory Service (STAS); Legal Drafting Assistance (LDA); Industrial Training Development Project (IDTP); Small Islands States Development Fund (SISDF); Assistance Scheme for Law Enforcement and Legal Agencies. Assistance is provided to countries, the need to scale up human resources required for the implementation of the Pacific Plan, and where possible facilitate the strengthening of policy mandates and the associated effective implementation of the Pacific Plan. The Secretariat introduced its first internship programme – the Pacific Islands Forum Secretariat Young Professionals Scheme. The scheme welcomed its Young Professionals in January 2007. The Young Professionals will be specialising in various fields which are consistent with the key areas of the Pacific Plan: economic growth, sustainable development, good governance and security. This year, six Young Professionals from the region have been placed across the Secretariat’s work programmes, Economic Governance, Political & Security and Sustainable Development and Good Governance.

The scheme is consistent with the Pacific Plan initiative 15.4, which calls for exchanges and sharing of services and expertise for regional capacity building. The interns are expected to return to their home countries following the one year attachment with the Secretariat.

Taiwan/ROC-PIF Scholarship Scheme:

In recognition of the need to improve the capacity of many small and medium business enterprises resulting in enhanced service delivery and better products, the division is responsible for coordinating special funding assistance schemes which are available to member countries. These include: Short Term Advisory Service (STAS); Legal Drafting Assistance (LDA); Industrial Training Development Project (IDTP); Small Islands States Development Fund (SISDF); Assistance Scheme for Law Enforcement and Legal Agencies (ASLEA); Marketing Support Fund (MSF); Forum Secretariat Fellowship Scheme (FSFS) and the Regional Natural Disaster Relief Fund (RNDRF).

Internships And Scholarships

PIFS Young Professionals Scheme:

In recognition of the need to foster the development of young people with policy skills within the region, the need to scale up human resources required for the implementation of the Pacific Plan, the Secretariat introduced its first internship programme – the Pacific Islands Forum Secretariat Young Professionals Scheme. Managed by the Enabling Mechanisms Unit, the scheme welcomed its Young Professionals in January 2007. The Young Professionals will be specialising in various fields which are consistent with the key areas of the Pacific Plan: economic growth, sustainable development, good governance and security. This year, six Young Professionals from the region have been placed across the Secretariat’s work programmes, Economic Governance, Political & Security and Sustainable Development and Good Governance.

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Taiwan/ROC-PIF Scholarship Scheme:

The Taiwan/ROC-PIF Scholarship Scheme is offered to citizens of Forum Island Countries. Scholarships are advertised on a yearly basis and cover full time tertiary studies at eligible institutions of study since 2001. Since 2001, 113 scholarships have been offered, of which 43 have been successfully completed. Scholarships are awarded based on the priority fields of FITCs, which include: medicine, law, education, commerce, agriculture, tourism, information technology and engineering.

The awards are allocated in order of classification of countries; priority fields, followed by merit. Special preference is given to applicants from Smaller Islands States (SIS) and Less Developed Countries (LDCs). In recognition of gender equality, the scheme also attempts to maintain a gender balance in the allocation of awards.

Currently, there are 25 students enrolled in five campuses within the region, namely, USP Laucala Campus, USP Emalus Campus, USP Alafiau Campus, the Fiji School of Medicine and the Fiji Institute of Technology. Six students will be taking up their scholarships in semester 2, 2007 at the College of Micronesia, the University of Guam, USP Laucala Campus and the Fiji Institute of Technology. The breakdown of current awards by country are as follows: Fiji 3, FSM 1, Kiribati 2, Nauru 1, Niue 1, Palau 1, RMI 3, Samoa 3, Solomon Islands 9, Tuvalu 4 and Vanuatu 3.

Taiwan/ROC has committed USD 3.3 million towards the scholarship scheme since the establishment of the scheme in 2000.

Smaller Island States Unit

At the 2005 Pacific Islands Forum held in Port Moresby, Papua New Guinea, Leaders welcomed and endorsed the Pacific Plan for strengthening regional cooperation and integration. In endorsing the Plan, Leaders agreed to note, among others, the need to advocate the special and peculiar needs of Smaller Island States; provide special assistance for the implementation of the Pacific Plan, and ensure that they derive the fullest possible benefit from the Plan, particularly given their limited capacity and fragile and vulnerable environment.

To give effect to Leaders decision, the Smaller States Unit was established in 2006. The goals of this newly established Unit are to:

• ensure that SIS perspective is represented;
• provide practical advice to SIS on the implementation of their commitments under the Plan;
• provide in-country capacity to allow the SIS to further realize the benefits of current and future regional assistance in areas such as employment, aviation, shipping, tourism (including product development), and investigation of the feasibility of establishing an alternative soft loan financing facility;
• advocate the special and peculiar needs of SIS throughout the Secretariat with an ultimate aim of mainstreaming these special needs in the work programme of the Secretariat and where possible those of the CROP agencies;

Since its inception, the SIS unit has been engaged in executing, supporting and coordinating a number of activities and programmes in line with...
its responsibilities as set out below as follows.

- Recruitment and establishment of the Pacific Plan country desk officers for the SIS to advance national implementation of the Pacific Plan regionalism principles, these officers are placed within government ministries/departments of foreign affairs;

- Exploration of a Sub-regional Air Service for an optimum cluster of countries – i.e. Kiribati, Tuvalu, Nauru, Republic of the Marshall Islands, Federated States of Micronesia, Solomon Islands;

- Provide on-going advisory capacity support service to the SIS country desk officers as well as SIS country officials;

- Exploring the potential of a sub-regional leader shipping service for Tuvalu, Kiribati and Nauru;

- Undertake national consultations, principally to increase awareness on the Pacific Plan at the country level, and identify priority areas that can possibly be pursued sub-regionally. These national consultations also facilitated the engagement of civil society in the countries

- Exploring the possibility of establishing an alternative financing mechanism for SIS, and

- Progressing work to advance the labour movement schemes and the bulk procurement initiatives.

**Enabling Mechanisms continued**

**Pacific Regional Assistance To Nauru (Pran)**

The Enabling Mechanisms Unit continues to provide ongoing support to the Republic of Nauru under PRAN. This support includes the provision of the Planning Specialist (funded by Japan); and a Resident Magistrate, Secretary for Justice (senior lawyer) and a Legal Officer (funded by NZAID). These positions are expected to provide in country capacity to enable the effective operations of the judiciary, law and justice department and also the newly established Development Planning Department, within the Ministry of Finance. In addition to placement of skilled personnel, Enabling Mechanisms provides technical backstopping to the Government of Nauru with respect to donor relations and aid management.

**Building And Strengthening Partnerships**

In advancing strategic partnerships for the Pacific and to ensure international support to the Pacific Plan and its implementation, Enabling Mechanisms Unit facilitated follow-up mechanisms with the Government of Japan and other partners.

**Technical Support to the RAO II Project**

The European Union made available a total of $76.2 million for the 10th EDF regional programme. The Regional Authorising Officer (RAO) was very much involved in coordinating the programming of the 10th EDF with CROP agencies, European Union (EU) and key stakeholders during the reporting period. The EU released key policy documents relating to the 10th EDF programming process in early 2006. The policy documents indicate the key sectors which the EU has a comparative advantage and also outline a process and time frame for submission of the 10th Regional Strategy Paper for the Pacific. The EU also released its Communication Strategy for the Pacific in June 2006. This policy document supports the objectives of the Pacific Plan promoting regional integration and promoted EU’s ‘green/blue’ strategy for the Pacific. It also focused on efforts to reduce the cost of the delivery of aid in promoting multi-country programming.

The Regional and National Authorising Officers met with the European Commission in Suva in March 2006. The meeting discussed the key policy documents for the programming of the 10th EDF including bi-lateral meetings with the European Commission.

The RAO in consultation with key stakeholders produced the draft 10th EDF Regional Strategy Paper for the Pacific. The draft Regional Strategy Paper proposed two focal sectors of Human Resource Development and Sustainable Management of Natural Resources. The CROP Regional Working Groups were mobilized to commence the process of developing programmes in the two focal sectors. The Trade Ministers also met in November 2006 to discuss the EPA initiatives for the Regional Strategy Paper project. Following the submission of the draft Regional Strategy Paper there were several consultations between the RAO and EC Delegation in our efforts to finalise the draft Regional Strategy Paper. These consultations are expected to continue until the document is ready for signature.

During the reporting period two monitoring missions visited the region to undertake Results Oriented Monitoring covering all the regional projects. Project Steering Committee meetings and independent audits were undertaken on all regional projects. An end-of-term review of the 9th EDF was also undertaken by the European Commission.

The RAO continued to provide member countries, CROP agencies and other key stakeholders with the appropriate support on all EU related matters.

The 2006 Work Plan Cost Estimate totaled FJD812,669 and expenditure during the reporting period is approximately FJD530,454 (unaudited).
Public Relations And Communications

The Public Relations and Communications Unit has been established under the Enabling Mechanism with the aim of informing members, and other stakeholders including the civil society organizations and the media on the implementation of the Pacific Plan and the other activities of the Secretariat. This Unit was previously staffed by a Media Adviser until in June of 2006 when the Secretariat appointed a Forum Media Officer and a Media Officer- Pacific Plan to be tasked with the duties of dissemination of information and advocating Forum Leaders decisions and implementation of activities pertaining to the decisions. This task is being done through the Forum website: www.forumsec.org which underwent some major work in the second half of 2006 making it more user friendly; a monthly Forum radio programme which also covers some activities of other CROP agencies and broadcast by public service broadcasters throughout the region and a quarterly newsletter, the Niu Pasifika which is distributed through major newspapers in the FICs. There is of cause the press statements which are sent to the media and other stakeholders. The Unit continues to coordinate and fund through the Pacific Islands News Association (PINA) the Forum Media Workshop and the Forum Economic Ministers Meeting (FEMM Media Workshop as a means of proactive advocacy of the various issues discussed at these two important annual meetings.

CORPORATE SERVICES

The Corporate Services team continues to provide the support, service and infrastructure necessary for the Forum Secretariat to pursue its goals, while at the same time, improve on what we do and how we do it. Although often constrained by time and resources, we are committed to developing a healthy work environment that stimulates productivity, strengthens communication and supports team – work. With all the changes that were implemented as part of the Forum Review, the past year has been one of ‘tightening the nuts and bolts’ as well as to reflect how well the new systems and structures are working for us.

The Organisational Structure was reviewed after having been in existence for a year. The structure saw a move away from the traditional silos to a flatter structure that would better report to the aspirations identified in the Pacific Plan. The traditional divisions of Development and Economic Policy and the Trade and Investment group combined to form the Economic Governance programme. The Political, International and Legal Affairs Division is now known as the Political & Security programme. The cross-cutting issues that once belonged to the Sustainability and Good Governance programme. The cross-cutting issues that once belonged to the Political & Security programme. The cross-cutting issues that once belonged to the Economic Governance programmes working across the organisation. Hence, the organisation was split into two areas being Sustainability and Good Governance and the other being Economic Governance and Security. Part of this process included the recruitment of a second Deputy Secretary General with each Deputy leading one of the two sections of the organisation.

This restructure also led to reshuffles in office accommodation and more importantly, in-house Team Building workshops allowing staff to reacquaint themselves with their teams. Our efforts to develop an open, consultative culture continue to reap dividends, as demonstrated by the energy and passion with which staff have contributed over the year. Staff input has proven invaluable to ensuring changes within the Secretariat have a higher rate of success. Training continues to be a priority. During the year, several in-house workshops were offered covering Stress & Time Management Skills, Effective Communication Skills, Emotional & Success Intelligence, How to & Success Intelligence, How to do and how we do it. Although often constrained by time and resources, we are committed to developing a healthy work environment that stimulates productivity, strengthens communication and supports team – work. With all the changes that were implemented as part of the Forum Review, the past year has been one of ‘tightening the nuts and bolts’ as well as to reflect how well the new systems and structures are working for us.

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Financial Summary 2006

### General Fund
**Income and Expenditure Statement**
*For the Year Ended 31 December 2006*

<table>
<thead>
<tr>
<th></th>
<th>2006 budget $</th>
<th>2006 actual $</th>
<th>2005 actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions from Member Governments</td>
<td>3,472,000</td>
<td>3,471,977</td>
<td>3,471,977</td>
</tr>
<tr>
<td>Interest</td>
<td>560,000</td>
<td>637,029</td>
<td>446,429</td>
</tr>
<tr>
<td>Foreign Exchange Gain</td>
<td>-</td>
<td>43,567</td>
<td>252,688</td>
</tr>
<tr>
<td>Other Income</td>
<td>664,637</td>
<td>827,030</td>
<td>708,454</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>4,696,637</td>
<td>4,979,603</td>
<td>4,879,548</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management of the Secretariat</td>
<td>1,430,826</td>
<td>1,307,590</td>
<td>1,385,213</td>
</tr>
<tr>
<td>Political and Security</td>
<td>72,295</td>
<td>69,277</td>
<td>84,497</td>
</tr>
<tr>
<td>Economic Governance</td>
<td>107,327</td>
<td>85,469</td>
<td>81,472</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>2,273,490</td>
<td>1,889,002</td>
<td>2,028,877</td>
</tr>
<tr>
<td>Corporate Services – capital expenditure</td>
<td>603,263</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Policy Coordination and Advice</td>
<td>27,142</td>
<td>22,001</td>
<td>40,612</td>
</tr>
<tr>
<td>Stakeholder Coordination and Support</td>
<td>107,083</td>
<td>-</td>
<td>336,666</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>267,626</td>
<td>241,903</td>
</tr>
<tr>
<td>Bad and Doubtful Debts</td>
<td>-</td>
<td>37,338</td>
<td>-</td>
</tr>
<tr>
<td>Loss on Sale of Assets</td>
<td>-</td>
<td>-</td>
<td>12,445</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>4,624,425</td>
<td>3,678,303</td>
<td>4,211,685</td>
</tr>
<tr>
<td><strong>Surplus of Income over Expenditure</strong></td>
<td>72,212</td>
<td>1,301,300</td>
<td>667,863</td>
</tr>
</tbody>
</table>

### Trust Fund
**Income and Expenditure Statement**
*For the Year Ended 31 December 2006*

<table>
<thead>
<tr>
<th></th>
<th>2006 budget $</th>
<th>2006 actual $</th>
<th>2005 actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions from Donors</td>
<td>29,012,772</td>
<td>16,835,999</td>
<td>16,485,154</td>
</tr>
<tr>
<td>Benefits Derived from Property, Plant and Equipment</td>
<td>-</td>
<td>315,055</td>
<td>310,196</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>29,012,772</td>
<td>17,151,054</td>
<td>16,801,350</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political and Security</td>
<td>4,869,928</td>
<td>1,267,283</td>
<td>1,421,865</td>
</tr>
<tr>
<td>Economic Governance</td>
<td>11,450,224</td>
<td>6,850,395</td>
<td>5,245,595</td>
</tr>
<tr>
<td>Special Projects</td>
<td>3,618,436</td>
<td>3,212,816</td>
<td>2,037,419</td>
</tr>
<tr>
<td>Policy Coordination and Advice</td>
<td>1,473,465</td>
<td>1,351,688</td>
<td>872,197</td>
</tr>
<tr>
<td>Stakeholder Coordination and Support</td>
<td>788,024</td>
<td>613,474</td>
<td>422,574</td>
</tr>
<tr>
<td>Enabling Mechanism</td>
<td>3,303,588</td>
<td>3,758,049</td>
<td>2,269,505</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>315,055</td>
<td>310,196</td>
</tr>
<tr>
<td>Doubtful debts</td>
<td>-</td>
<td>122,604</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td>25,503,665</td>
<td>17,491,364</td>
<td>12,583,351</td>
</tr>
<tr>
<td><strong>Surplus of Income over Expenditure</strong></td>
<td>3,509,107</td>
<td>(340,310)</td>
<td>4,215,999</td>
</tr>
</tbody>
</table>
**Balance Sheet**

*As at 31 December 2006*

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at Bank</td>
<td>16,059,957</td>
<td>16,192,190</td>
</tr>
<tr>
<td>Consumable Stock</td>
<td>13,075</td>
<td>12,979</td>
</tr>
<tr>
<td>Debtors – Member Countries</td>
<td>194,235</td>
<td>185,158</td>
</tr>
<tr>
<td>Sundry Debtors and Prepayments</td>
<td>544,248</td>
<td>422,616</td>
</tr>
<tr>
<td></td>
<td>16,811,515</td>
<td>16,812,943</td>
</tr>
<tr>
<td><strong>Non-current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td>8,836,595</td>
<td>8,415,769</td>
</tr>
<tr>
<td></td>
<td>25,648,110</td>
<td>25,228,713</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>25,648,110</td>
<td>25,228,713</td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Creditors, Commitments and Accruals</td>
<td>1,128,714</td>
<td>1,055,620</td>
</tr>
<tr>
<td>Other Current Liabilities</td>
<td>69,687</td>
<td>13,672</td>
</tr>
<tr>
<td>Contributions Received in Advance – General Fund</td>
<td>1,384,445</td>
<td>1,321,349</td>
</tr>
<tr>
<td>Contributions Received in Advance – Trust Fund</td>
<td>1,995,764</td>
<td>2,434,596</td>
</tr>
<tr>
<td></td>
<td>4,578,610</td>
<td>4,825,237</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>21,069,500</td>
<td>20,403,476</td>
</tr>
<tr>
<td><strong>Accumulated and Reserve Funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund</td>
<td>3,259,064</td>
<td>1,957,764</td>
</tr>
<tr>
<td>Trust Fund</td>
<td>10,499,588</td>
<td>10,839,898</td>
</tr>
<tr>
<td>Reserve Fund</td>
<td>256,108</td>
<td>251,086</td>
</tr>
<tr>
<td>Capital Reserve</td>
<td>7,054,740</td>
<td>7,354,728</td>
</tr>
<tr>
<td><strong>Total Accumulated and Reserve Funds</strong></td>
<td>21,069,500</td>
<td>20,403,476</td>
</tr>
</tbody>
</table>

**Commitments and Contingent Liabilities**

**Contributions from Member Countries – Regular Budget**

<table>
<thead>
<tr>
<th>Country</th>
<th>2006 %</th>
<th>2005 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>37.5%</td>
<td>1,302,809</td>
</tr>
<tr>
<td>Cook Islands</td>
<td>1.0%</td>
<td>35,403</td>
</tr>
<tr>
<td>Federated States of Micronesia</td>
<td>2.0%</td>
<td>69,536</td>
</tr>
<tr>
<td>Fiji</td>
<td>2.3%</td>
<td>78,519</td>
</tr>
<tr>
<td>Kiribati</td>
<td>1.0%</td>
<td>35,403</td>
</tr>
<tr>
<td>Nauru</td>
<td>1.0%</td>
<td>35,403</td>
</tr>
<tr>
<td>New Zealand</td>
<td>37.5%</td>
<td>1,302,809</td>
</tr>
<tr>
<td>Niue</td>
<td>1.0%</td>
<td>35,403</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>5.5%</td>
<td>192,341</td>
</tr>
<tr>
<td>Palau</td>
<td>1.0%</td>
<td>35,403</td>
</tr>
<tr>
<td>Republic of Marshall Islands</td>
<td>1.0%</td>
<td>35,403</td>
</tr>
<tr>
<td>Samoa</td>
<td>2.0%</td>
<td>69,536</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>2.0%</td>
<td>69,536</td>
</tr>
<tr>
<td>Tonga</td>
<td>2.0%</td>
<td>69,536</td>
</tr>
<tr>
<td>Tuvalu</td>
<td>1.0%</td>
<td>35,403</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>2.0%</td>
<td>69,534</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>3,471,977</td>
</tr>
</tbody>
</table>
Pacific Islands Forum Secretariat
Staff 2006