Pacific Islands Forum Secretariat Motto:

“Excelling together for the people of the Pacific”
The Pacific Plan implementation occupied the Secretariat’s work programme during 2007 in what I can only describe as a very busy year with more challenges for the region. We have completed the second year of its implementation since its adoption by Leaders in 2005 and I’m happy to report that it was quite pleasing that as a region we made good progress there. With support from the member countries, CROP Agencies and our partners, the Secretariat was able to forge ahead with the implementation of a broad range of activities under the four pillars of the Pacific Plan. These are mainly in the areas of economic growth, security, sustainable development and good governance.

On the security front, the situations in Fiji and Solomon Islands have, following decisions taken by our Leaders and Ministers in late 2006 and during the course of 2007, engaged the Secretariat very extensively. In January, with the agreement of all parties, an Eminent Persons Group (EPG) visited Fiji. The EPG’s Report was endorsed by Forum Foreign Ministers in March. It is also being used by members of the wider international community as a reference point in formulating their own policy approaches to Fiji. The Secretariat continued to promote dialogue between Fiji and other Forum members aimed at an early return to parliamentary democracy, through the Forum-Fiji Joint Working Group, a grouping created at the direction of the Foreign Ministers. Practical outcomes of that Working Group have been an independent technical assessment of an election timetable for Fiji and the identification of the resources needed by Fiji to meet that timetable. Following these assessments, the interim Fiji Government has agreed in principle to hold an election in Fiji by March 2009. This was endorsed by our Leaders during the 38th Forum Leaders Meeting in Tonga.

The Secretariat’s deep involvement in one of the Forum’s most significant regional endeavours – the Regional Assistance Mission to Solomon Islands (RAMSI) – continued during 2007. At the direction of Leaders in 2006, the Secretariat coordinated the RAMSI Review Task Force which in June completed the second phase of its in country consultations. Overall the Task Force confirmed once again overwhelming support for RAMSI. The recommendations of the RAMSI Review Report were accepted by Forum Leaders in Tonga in October despite the absence of the Solomon Islands Government at the meeting. The recommendations include, among other things, a proposal for a new regional governance structure for RAMSI which contains a number of new mechanisms.
that will enhance coordination and communication among all stakeholders. These include a new so-called Triumvirate arrangement in which the Solomon Islands Government’s Special Envoy to RAMSI, the new Forum Secretariat Representative to Solomon Islands, and the RAMSI Special Coordinator take part.

At the top of the governance structure, will be a Forum Ministerial Standing Committee established to guide RAMSI’s strategic direction. In between the Triumvirate and Ministerial Standing Committee, is an officials’ level Enhanced Consultative Mechanism which was established as an interim measure by Leaders in 2006 but whose continued existence has been supported by the Review Report. While some teething problems stood in the way, it is pleasing to note that the Triumvirate arrangement and enhanced consultative mechanism were widely acknowledged when these were commenced in 2007.

The Forum Ministerial Standing Committee will likely commence meetings in early 2008 although arrangements were advanced for the first meeting to be held in late 2007.

In the same spirit of regional cooperation under the Biketawa Declaration, we’ve also continued to coordinate regional assistance to Nauru. This assistance provided critical support to Nauru at a very difficult time for the country and by the end of the year, we are all pleased that Nauru has made good progress and was turning the corner back to normalcy.

The trade agenda has been similarly time and resource intensive. Negotiations with the European Union (EU) intensified as the December 2007 dateline for the negotiation of an Economic Partnership Agreement (EPA) approached. Preparations were also underway for preliminary discussions on PACER plus, scheduled for early 2008.

Negotiations on the Pacific ACP-EU Economic Partnership Agreement occupied extensively the Economic Governance staff during the year. A series of joint meetings in Brussels with the European Commission (EC) officials and politicians were held throughout the year culminating in two lengthy sessions in September and November. These were preceded by a number of meetings by the PACP officials and Ministers throughout 2007. Due to the marked differences in the PACPS’s positions and those of the EC on many of the issues under negotiation, a mutual decision was made to continue the EPA negotiations throughout 2008. In the meantime it was also agreed that for particular PACPS anticipating serious disruption to their exports into the EU market as a result of the ending of the WTO waiver, an interim EPA could be signed. Only two PACP countries concluded interim EPAs with the EU by end of December 2007. These are PNG and Fiji.

On the implementation of the Pacific Island Countries Trade Agreement (PICTA), five Parties announced their readiness to trade under PICTA while five others were in the process of completing their domestic requirements and should be ready to trade in the near future. We are hopeful that once participation in trade under PICTA expands, the parties will benefit from greater movements of goods between them. In the meantime a joint study to investigate the potential impact of a move towards a framework for trade and economic cooperation among Australia, New Zealand and the Forum Island Countries as provided for in the Pacific Agreement on Closer Economic Relations (PACER) was completed and considered by the Parties during the year.

The study has since then been finalized and will be the basis for future discussions by the Parties on
PACER-related development and trade cooperation.

Also in 2007, the 11th Forum Economic Ministers Meeting (FEMM) was held in Koror, Republic of Palau in July during which the Ministers reaffirmed their support for the implementation of previous FEMM reform commitments, particularly in areas pertaining to economic growth and good governance. FEMM also prioritized work on labour mobility and reiterated the potential benefits to be derived from it, while recognizing the importance of domestic policies in promoting sustainable growth. Special note was made of the New Zealand Recognised Seasonal Employer policy, and the World Bank facilitated pilot seasonal worker scheme.

Another step was taken during the year in private sector development with the establishment of the secretariat for the Pacific Islands Private Sector Organization (PIPSO) currently housed at the Forum Secretariat in Suva. PIPSO achieved an early milestone with its inaugural Pacific Business Forum held in Nadi, Fiji in August.

In the Good Governance sector, the Secretariat together with the UNDP Pacific Centre,
AusAID and the Australian Ombudsman cooperated to undertake investigations into options to support the concept of a regional ombudsman. Funding to progress the initiative became available in the second half of 2007. Further work on the Forum Principles of Good Leadership and Accountability is expected to be progressed through the Pacific Leadership Programme (PLP). This is a major initiative arising from the White Paper on the Australian Government Aid Programme. The PLP will be overseen by a Pacific Leadership Panel comprised of eminent Pacific Islanders, with AusAID and the Secretariat. The initial phase of the Programme will cover Papua New Guinea, Solomon Islands, Vanuatu, Tonga, Samoa and East Timor. Progress has also been made during the year by the Commonwealth Secretariat towards supporting the good governance initiatives under the Pacific Plan through its proposed Commonwealth Pacific Governance Project which is expected to commence work in 2008.

The Leaders in their final Communiqué at the 38th Pacific Islands Forum Meeting in Tonga in October endorsed several priority areas that are expected to move forward the implementation of the Pacific Plan. These are in the areas of fisheries, energy, trade and economic integration, climate change and transportation. These will become the priority areas for the Secretariat and other Council of Regional Organizations of the Pacific (CROP) agencies in the coming year.

As I mentioned at the beginning, 2007 has been a very busy year with more challenges being presented to the Secretariat by the Forum members. The Secretariat is getting to a position where, without increased resource support by member countries, its workload cannot be sustained. We have reached a stage where the scope of our work programs and assuming our resource base remains unchanged (and I would note that there has been no adjustment in membership contributions for ten years), we will not be able to sustain some activities fully. But with the participation of all members, complimented with the technical expertise at the Secretariat, the region can only move forward to achieving the dreams and visions of our leaders for strengthened regional cooperation and integration in order to develop a region of peace and unity.
Pacific Islands Forum Profile

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 11 main regional organisations in the Pacific region:

- Fiji School of Medicine (FSMed)
- Pacific Islands Forum Fisheries Agency (FFA)
- Pacific Islands Development Programme (PIDP)
- Secretariat of the Pacific Community (SPC)
- Pacific Islands Applied Geoscience Commission (SOPAC)
- South Pacific Board for Educational Assessment (SPBEA)
- Pacific Islands Forum Secretariat (PIFS)
- Pacific Power Association (PPA)
- Secretariat of the Pacific Regional Environment Programme (SPREP)
- south-pacific.travel (formerly the South Pacific Tourism Organisation)
- University of the South Pacific (USP)
Forum Leaders have called for the serious challenges facing the countries of the Pacific to be met through the sharing of scarce resources and aligning policies to strengthen national capacities to support their people. They have called for the Pacific Plan to strengthen regional cooperation and integration as the main instrument for realising their Pacific Vision.

The Pacific Plan was endorsed by Forum Leaders at their Pacific Islands Forum Meeting in Port Moresby, October 2005. As a ‘living document’ it now forms the basis of ongoing strengthening of regional cooperation and integration efforts for the benefit of the people of the Pacific.

The Pacific Plan proposes a new and innovative approach to the unique challenges that Pacific Island Countries face through a framework of greater regional cooperation and integration.

Central to the Pacific Plan are a number of ‘initiatives’ that have been identified as a way to progress development across the region. While these initiatives overlap to varying degrees, they have been developed around four ‘pillars.’ Each pillar: economic growth; sustainable development; good governance; and security, represents in many respects the key areas (and challenges) that the Pacific as a region must work to address should it be able to raise living standards, increase access to opportunity and stimulate pro-poor growth for the peoples of the Pacific.

While the Pacific Plan proposes a regional response to the challenges that Pacific Island Countries face, it does not endeavour to promote a ‘one-size-fits-all’ model of regional cooperation, nor work to limit the ability of countries in the region to pursue their own nationally based policies.

During the year there has been ongoing progress in the implementation of the Pacific Plan across all four of its pillars, and in particular, in response to the 2006 Forum Leaders’ ‘Nadi’ decisions. While for the most part pleasing, this progress has varied with some initiatives having advanced further than others.

**Pillar One – Economic Growth**

The Pacific Plan’s Economic Growth pillar is framed by three strategic objectives. These in turn are supported by 11 initiatives for implementation which look to increase the integration of trade in both goods and services within the Pacific Region, the strengthening of transport and information and communications infrastructure and support to the private sector.

Initiatives 1.1 through to 1.4 remain amongst the most complex in the Pacific Plan. Their focus on greater liberalisation of trade raises numerous and far reaching issues. The differences between economies and more generally economic strengths within the Forum bloc only adds to this complexity. In this context, it is not surprising that there remains considerable work to be done in ensuring the full and equitable implementation of these trade agreements. Initiatives 1.5, 1.6 and 1.7 respectively show greater progress as do other initiatives under this pillar, in particular those supporting the strengthening of aviation and maritime services, safety and security and progress in improving the region’s information and communications infrastructure.
Pillar Two – Sustainable Development

The Pacific Plan’s second pillar deals with a varied spectrum of issues and challenges. These range from strengthening the region’s response to the impact of climate change to the better management of its natural resources to supporting key social sectors such as health and education. Encompassing eight strategic objectives implementation of its 15 initiatives has continued to move forward during the year.

Initiatives 5.1 through to 5.6 have witnessed a number of key achievements, particularly in support of energy security, disaster risk management and in increasing Pacific Island Country access to the Global Environment Facility to strengthen environmental management and conservation. In the case of energy in particular, the convening of a Pacific Energy Ministers Meeting in April this year has provided a much needed prioritisation of the issues and responses necessary to ‘regionalise’ a solution to the challenge of energy security.

Progress continues to be made in both the health and education sectors with an intensifying recognition of the need to address, in particular, non-communicable diseases and the importance of progressing the regional qualifications register.

Pillar Three – Good Governance

The Pacific Plan’s Good Governance pillar, like its other pillars, has seen a pleasing amount of progress in the implementation of its initiatives during the year.

Supported by one strategic objective its eight initiatives endeavour to deal with some of the most sensitive issues in the region. Among them, reforms to accountability and integrity institutions, reconciling modern and traditional governance structures and the protection of human rights. The convergence of legislative, executive and judicial initiatives under this pillar, make the implementation of its initiatives all the more challenging.

Initiatives 12.1 and 12.2 with their focus on Auditor General, Ombudsman Offices and strengthening leadership respectively, continue to demonstrate solid progress considering the sensitivities around which they deal.

While progress amongst the pillar’s remaining objectives is slower than some would have hoped for, the extensive consultation and diagnostic assessment achieved over the course of 2007 has laid solid grounds for the progressing of initiatives 12.3 through to 12.8 over the course of 2008.

Pillar Four – Security

The Pacific Plan’s final pillar looks to strengthen the conditions for a safe and stable environment within which the benefits of its other pillars can be realised. What is however perhaps most significant about this pillar’s strategic objective is its focus on human security. While not neglecting the importance of ‘state’ security, the desire to ‘secure’ human conditions in a manner that enhances stability, safety, opportunity and access ensures people are the first consideration in assessing what needs to be secured.

Like the Pacific Plan’s other pillars, progress in implementing initiatives under this pillar during this year has been varied but pleasing. Key achievements under this pillar have included strengthening of maritime safety and security, significant progress in developing a natural disaster Regional Early Warning Strategy through a process of comprehensive multi-party consultation and progress in addressing the intensifying problems of unchecked urbanisation across the Pacific.
Looking Forward – 2008

As with 2007, we can expect to see continued progress in the implementation of the Pacific Plan’s initiatives over 2008. Again, this progress will vary from pillar to pillar. This should not come as a surprise. Considering the number of stakeholders the implementation of the Pacific Plan depends on – 16 national governments, 10 regional technical agencies, civil society and both multi-lateral and bi-lateral donors, the region should remain proud of the progress it has made in implementing a programme for regional cooperation Forum Leaders themselves have stated should be thought of as at least a 10 year programme.

As with 2006, Forum Leaders have once again directed members on priority areas for implementation under the Pacific Plan. Encapsulated in the Vava’u decisions, like the Nadi decisions before them, these decisions will direct the focus of member and development partner attention on regional cooperation and integration and in particular, in the areas of fisheries, energy, economic integration and trade, transport and climate change.
Political & Security Programme

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

Pacific regional security today is more complex and diverse than ever before. The region is confronted not only by the global security challenge of terrorism but also has to contend with increasing transnational crime and broader human security issues.

Governance challenges and a lack of law enforcement capacity are additional hurdles to overcome, while economic growth and expanding travel routes through the region have increased the attractiveness of the islands as an environment for transnational criminal activities. As expansion of transnational criminal activities will directly influence domestic revenue and civil order, it has become a primary objective of the Programme to assess the nature and level of transnational crime in the Pacific and generate meaningful strategic and policy advice for Members.

Forum Regional Security Committee

The annual meeting of the Forum Regional Security Committee (FRSC) is the principal meeting for setting a regional security agenda and enhancing the capacity of members to respond to internal and external security threats.

The annual Pacific Transnational Crime Assessment informs the FRSC meeting (and others) of the extent and influence of transnational crime and other security-related issues and provides a focus for discussions and decisions. The 2008 Assessment will benefit from enhanced data collection targeting (licit and illicit) activity in the key areas of crime, people, trade and the sea; and include for the first time, country specific reports. The enhanced Assessment will provide a more effective reference for Members and enable the generation of meaningful and functional strategic advice.

Agency Cooperation

The Forum Regional Security Committee has strong support from key regional law and border agencies as well as other regional and international stakeholders. The Forum Secretariat’s Law Enforcement Unit works closely with the region’s specialist law enforcement and border agencies and together they support joint activities or agency specific projects. Partner agencies include the Oceania Customs Organisation, Pacific Immigration Directors’ Conference, Pacific Islands Chiefs of Police, Secretariat of the Pacific Community Regional Maritime Programme and the Forum Fisheries Agency.
Pacific Anti-Money Laundering Project

The Pacific Anti-Money Laundering Project (PALP), which is a joint initiative between the Forum Secretariat, the United Nations Office on Drugs and Crime, and the US State Department, is now in its second year of operation. It has been actively involved in assisting Forum Island Countries in establishing or enhancing their anti-money laundering and counter-terrorism financing regimes to comply with international standards of the Financial Action Task Force, relevant UN Conventions and Security Council Resolutions.

Mentoring and case support by PALP mentors has served to augment the investigative capacity of law enforcement officials in some member countries as they seek to respond to new forms of transnational crime. The anti-money laundering regimes of member countries are being strengthened through the development of anti-money laundering legislation coupled with ongoing legal policy advice.

Regional and national training has been undertaken for judges, prosecutors and law enforcement officials on anti-money laundering and counter-financing of terrorism. Members have also benefited from assistance and support to Financial Intelligence Units designed to enhance their anti-money laundering capacity through targeted reviews of their operations, policies, legislation and supervisory duties.

A new joint project between the Forum Secretariat, Oceania Customs Organisation and the Anti-Money Laundering Assistance Team to deal with cash couriers was launched as a pilot in Fiji in December. The project is to be extended to all members, and a key outcome will be a toolkit provided to border officials which will enhance their ability to respond effectively to cross-border smuggling of cash.

Legal Drafting

Legislative drafting capacity within Pacific Island Countries is a critically important infrastructure and is being supported by the Political and Security Programme. The Programme has worked with the Commonwealth Secretariat, University of the South Pacific (USP) Law School and Attorneys General from Member Countries to develop a comprehensive plan to build sustainable legislative drafting capacity in the region. The Action Plan addresses the issues of recruitment, training, and support and retention of Pacific islands legislative drafters. It was endorsed by Pacific Islands Law Officers’ Network meeting in Kiribati in February.

During the year, the Secretariat has worked with the Commonwealth Secretariat and USP to implement the Action Plan, including through the provision by the Secretariat of nine scholarships for Pacific islands lawyers to undertake the USP Professional Diploma in Legislative Drafting course. Seven successfully completed the course during the year. The first Pacific Law Drafters Technical Forum was also held in Vanuatu in June this year with the sponsorship of the Commonwealth Secretariat and the assistance of the New Zealand Office of Parliamentary Counsel. It is hoped that the Technical Forum will become an annual event.

Other activities under the Action Plan include a Commonwealth Secretariat sponsored 12 week residential intensive course in legislative drafting at USP Law campus in Port Vila, Vanuatu; the development of pairing and twining arrangements between Pacific Island Countries Law Drafting Offices and Australian and New Zealand Law Drafting Offices; and the development of a Pacific Law Drafters’ website which will be launched in early 2008. Further implementation of the Action Plan will continue in 2008 and beyond.
Assistance with Honiara and Nasonini Declarations legislation

During the year, the Model Pacific Counter Terrorism and Transnational Organised Crime Bill was completed. The Model Law is specifically designed for Pacific Island Countries and implements the legislative obligations under the 13 UN Counter Terrorism Instruments, the Transnational Organised Crime Convention and the two Protocols to the Convention concerning People Smuggling and Human Trafficking. Ten Forum Island Countries have been provided with draft legislation based on the Model Law. In addition, the existing model legislation under the Honiara Declaration was reviewed and assistance provided to Forum Island Countries concerning Extradition, Mutual Legal Cooperation and Proceeds of Crime legislation.

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. With the support of the UNDP Pacific Centre, work on the strengthening of conflict prevention and peacebuilding capacities is continuing with the development of a human security framework for the region in the medium term. Such a framework will provide insights into the broader security issues underlying crises and conflicts. It will also provide a set of tools to address these issues, as well as provide recommendations as to how the existing crisis response tools under the Biketawa Declaration can be strengthened. Alongside this, the development of track II processes in conflict prevention, through engagement with civil society organisations, is continuing. A successful Track II meeting was held prior to the 2007 FRSC meeting, with another one planned for 2008.

The holding of Session Two of the FRSC in retreat format continues to strengthen, with members contributing freely and very usefully to discussion of issues formerly perceived as too sensitive.

Fiji

The Forum has demonstrated since the events of 5 December 2006 in Fiji, that it can play a strong leadership role in the international community when attempting to resolve crises within our region. The Forum had already begun to work with Fiji in November 2006, at its request, to help address the impasse between the government and the Republic of Fiji Military Forces. Following the RFMF takeover, with the agreement of all parties, the Eminent Persons Group visited Fiji in January 2007. The EPG’s Report was endorsed by the Forum Foreign Ministers in March and significantly, is being used by the wider international community as the reference point for its policy formulations. The Secretariat is continuing to promote frank and friendly dialogue between Fiji and other Forum members toward an early return to parliamentary democracy in Fiji, through the Forum-Fiji Joint Working Group on the situation in Fiji. The Group was formed at the direction of the Foreign Ministers. Outcomes of the Working Group have included the commissioning of two reports covering the minimum reasonable timeframe for Fiji’s electoral process, and the resources that may be needed to assist Fiji in that regard.
Regional Assistance Mission to Solomon Islands

The Regional Assistance Mission to Solomon Islands (RAMSI) remains a critical Forum regional deployment, underpinned by the firm commitment of the Leaders in the purpose of the regional mission. However 2007 was a challenging year for RAMSI. The review of RAMSI by the Forum Review Team was completed and a number of key recommendations made in an effort to strengthen the RAMSI/Solomon Islands Government/Forum partnership. The Forum Leaders’ endorsement of the RAMSI Review Report provides a way forward in enhancing the work of the Mission for the benefit of Solomon Islands.

The appointment of the Forum Representative to Solomon Islands has significantly strengthened relations and engagement with the Government and stakeholders, providing opportunities for constructive dialogue and cooperation on RAMSI, the Pacific Plan, and Forum and other CROP programmes.

The Political and Security Programme in partnership with UNDP and the Government of Solomon Islands through Ministries of National Unity, Peace and Reconciliation; and Women, Youth and Children have engaged in a peace building and youth development project. Much of the ground work has been completed and the project is expected to get off the ground in early 2008. The project, supported by other regional programmes also act as a springboard to a number of programmes that will follow in the continuing implementation of the 2005 EPG Recommendations and Pacific Plan initiatives.

Land Management and Conflict Minimisation project

Another area directly relevant to Conflict Prevention is land ownership, a singularly sensitive and charged cultural issue. Land based resource management has been at the core of many disputes and conflicts in the region. Phase 1 of the Land Management and Conflict Minimisation Project, endorsed by the 2006 Forum Regional Security Committee Meeting, which comprises desk and country case studies will provide proposals for guiding principles for effective land management and conflict minimisation in the region; and recommend elements for inclusion in a proposed Regional Land Management and Conflict Minimisation Framework of Action. The project is sensitive to the need to balance indigenous values associated with land with the need to strengthen the land tenure systems of Forum Island Countries in ways that facilitate the prospects for economic development and minimise the risks of conflict.

Governance

In 2006, Leaders agreed that greater attention be given to implementing Initiatives 12.5 and 12.6 of the Pacific Plan pertaining to human rights and good governance issues. Developments in the last twelve months have included a Pacific regional workshop in March which identified strategies to address some of the issues impeding ratification of core international human rights treaties. In addition the Secretariat’s collaboration with the New Zealand Law Reform Commission, the New Zealand Human Rights Commission, and the United Nations Office of the High Commissioner for Human Rights saw the completion of three important research papers. The papers were on the interface between custom and human rights in the Pacific, forms of national human rights institutions for Pacific states, and the added value of ratification of those human right treaties for those states. These three important pieces of work, all of which are the result of regional consultations, will provide some responses to the
issues and obstacles that Forum Island Countries face in meeting the requirements of ratification of core international human rights treaties and the establishment of national human rights institutions. In the meantime, the Secretariat and its partners are facilitating more in-country dialogue on these issues. Resources permitting, the Secretariat is looking at the establishment of a Human Rights position to consolidate and elevate human rights work in the region.

Assistance continues to be available to Forum Island Countries interested in adopting leadership codes. Members who have yet to do so are encouraged to adopt leadership codes as a means of implementing the Leaders’ commitment to the principles in the Biketawa Declaration and the Forum Principles of Good Leadership adopted by them in 2003.

**Election Observation**

The Forum’s election observation work has continued to grow, in response to requests from an increasing number of members. The Forum’s election observation activities are welcomed by member countries as contributing to their shared commitment to peaceful and democratic governance, and their individual efforts to strengthen the integrity of their electoral processes.

During the year, the Forum deployed observers to national parliamentary elections in Papua New Guinea (in a joint mission with the Commonwealth Secretariat), Nauru, and the Republic of the Marshall Islands (RMI). The PNG and Nauru observer teams 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. Both reports were well received by the governments of the member countries concerned. The RMI election observer mission report was due to be completed in early 2008.

**Regional Cooperation in the Legal Sector**

In consultation with Forum members and a range of other relevant stakeholders, the Secretariat developed a proposal for a new initiative under the Pacific Plan specifically focused on strengthening legal institutions. This arose from the recognition that there was a pressing need for an increased emphasis on regional legal infrastructure in order to equip member countries to achieve their broader national and regional goals, including those of the Pacific Plan.

Towards the end of the year the Pacific Plan Action Committee and Forum Leaders approved the creation of initiative 12.9 under the Governance pillar of the Plan. The Initiative aims to deepen regional cooperation between key actors in the legal sector in the region, and in particular, focuses on exploring pooling of resources and regional integration in relation to legal institutions and mechanisms providing legislative services, and judiciaries, courts and tribunals. Implementation of the initiative will commence, primarily through the preparation and commissioning of two scoping studies, in 2008.

Meanwhile, the Secretariat has been working to support efforts by the Pacific Islands Law Officers’ Network (PILON) to strengthen its role as a focal point for regional cooperation among senior government legal officers. The Secretariat-coordinated review of PILON was presented and well received at the 25th PILON meeting in February. Important decisions were made about the future role and structure of PILON at that meeting and the following meeting held in December in the Cook Islands.
The Secretariat will continue to support PILON as it implements a range of reforms, including an offer to host the new PILON Secretariat at the Forum Secretariat’s premises.

**Nuclear Issues**

The Forum Secretariat continues to assist members in their collective activity on nuclear issues as they affect the region. With regard to nuclear shipments, high-level correspondence with the shipping states has continued.

The Secretariat has also continued to assist the RMI in coordinating regional support for its advocacy with the United States Government on the impact of US radioactive testing in RMI, pursuant to the decisions of Forum Leaders.

**Institutional Issues**

**Associate Members and Observers**

Following the admission of French Polynesia and New Caledonia as the Forum’s first associate members in 2006, the Forum’s work has extended to, and benefited from, increased participation in regional meetings and activities by the two territories.

The Forum has also continued to work closely with the expanded group of Forum observers comprising Tokelau, Wallis & Futuna, Timor Leste (special observer), the Commonwealth Secretariat, the United Nations and the Asian Development Bank. At their 2007 meeting Forum Leaders agreed to invite the Western and Central Pacific Fisheries Commission to become a new Forum observer.

**Treaty Depositary Role**

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 2007 the Secretariat assisted the Parties to several of these treaties with legal advice and administrative support for amendment processes and other treaty actions, including in relation to the Pacific Islands Civil Aviation Safety and Security Treaty (PICASST), the Pacific Island Countries Trade Agreement (PICTA) and the MOU establishing the Pacific Forum Line.

In January the Secretariat co-sponsored a workshop on Treaty Law and Practice hosted by the Government of Indonesia and run by the United Nations Office of Legal Affairs. Participants from nine Forum Island Countries and the Secretariat were able to receive up to date information on the international legal and UN requirements for treaty making and related processes. They also discussed issues relevant to the ratification and implementation of a number of major international Conventions on environment, human rights and transnational crime.
Economic Governance Programme

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; 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 are 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) support the pursuit of good governance and sustainable development. FEMM provides an annual opportunity for member countries to develop appropriate economic policy frameworks and share country experiences.

At the eleventh FEMM, held in Koror, Republic of Palau, Economic Ministers reaffirmed their support for the implementation of its reform commitments as well as the further examination of regional and sub-regional approaches to lift economic growth performance. The initiatives contained in the Pacific Plan were prioritised by FEMM in 2006. The priority areas were economic growth and good governance. These were progressed and will continue to be considered over the medium term. 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”.

FEMM also considered the potential for regional approaches in a number of key areas. This includes labour mobility, economic regulation, customs services, macroeconomic and microeconomic technical assistance and financial sector reform and supervision. Good progress has been made in the issues of labour mobility and the provisions of macroeconomic and microeconomic technical assistance.

Labour Mobility

An update on the 2006 FEMM mandate regarding temporary movement of labour was considered at this year’s meeting. Ministers appreciated the New Zealand Recognised Seasonal Employer policy, and the World Bank facilitated pilot seasonal worker scheme. There was also the potential impact on skilled labour resulting from education initiatives such as the Australian Pacific Technical College.

The Secretariat, together with the World Bank and other development partners, has been mandated to provide a further update at the 2008 FEMM on the types of support and measures that could facilitate further temporary movement of labour in the region.

This work will include a closer examination of the opportunities, challenges and constraints...
observed through the pilot schemes currently in place. The work will also provide further guidance to both the sending and recipient countries on ways of continuously improving the benefits and addressing the risks from such schemes.

**Macroeconomic and Microeconomic Technical Assistance Provision**

FEMM also considered the potential for improvement in, and broadening the scope of Technical Assistance (TA) delivery to meet the requirements of Forum Island Countries (FICs). It considered microeconomic policy advice. And noted the reasons for poor economic TA delivery as including: limited, if any, donor coordination in the delivery of economic TA; poor definition of the TA needs of client countries; and, high transaction costs for Pacific countries due to the manner in which economic TA is undertaken. The many visits by staff and consultants places a lot of stress on the FICs limited human resources.

FEMM agreed on a pilot arrangement to expand the capacity of the Pacific Islands Financial and Technical Assistance Centre (PFTAC) by drawing in staff from other International Financial Institutions/ Forum Island Countries/development partners. This arrangement would allow the expansion of economic advice to include additional priority areas of microeconomic TA such as State Owned Enterprises, Infrastructure and Regulatory Policy.

Following this mandate from FEMM, the meeting of PFTAC’s Tripartite Steering Committee meeting, held in September, considered some options leading to the development of an enhanced co-operation model, allowing for staff of the World Bank to be placed in PFTAC’s Suva office in early 2008.

**2nd Pacific Regional Workshop on Urban Management**

The Secretariat in collaboration with the Pacific Operations Centre (UN-EPOC) of the United Nations Economic and Social Commission for Asia and the Pacific and the Commonwealth Local Government Pacific Project (CLGF), organized the Second Pacific Regional Workshop on Urban Management, from 23 to 25 April 2007, in Nadi, Fiji. The workshop, amongst other things, reviewed progress in the implementation of the Pacific Urban Agenda (PUA) as the integrated framework for urban management in line with the Pacific Plan; enhance learning by sharing information on urban planning and management; review support provided by development partners for its implementation; and refine the priorities of the PUA and to develop appropriate responses, both by countries and their development partners.

The workshop agreed that urbanization can be better managed through improved access to land, housing, water, sanitation, health and education, an outcome which was captured
in the refined Pacific Urban Agenda.

**Infrastructure Development:**

**Aviation**

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

Six countries have ratified and ten have signed the Pacific Islands Air Services Agreement (PIASA). PIASA is designed to gradually replace the existing system of bilateral air services agreements between FIC’s with one agreement to cooperatively liberalise air services. PIASA will be implemented in three phases. The first phase starts six months after the PIASA enters into force. This phase means that the designated airlines of one Party (to PIASA) may operate scheduled services to and from the territory of another Party (3rd & 4th freedom), and between the territories of Parties via the territory of their own Party (6th freedom).

The second phase is to build on the internal single aviation market and this will start 12 months after the PIASA enters into force. The third and final phase is the realisation of the full single aviation market and is envisaged to take place 30 months after the PIASA comes into force. 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 always been PIASA’s goal.

The Forum Secretariat will continue to work with members to coordinate PIASA’s implementation through the various phases and will also continue to dialogue with the four remaining FIC’s that have not signed PIASA.

**Pacific Aviation Safety Office (PASO)**

The Pacific Aviation Safety Office has started operations with two new inspectors on board. A security inspector will start work with PASO in March 2008. PASO is now working with members to coordinate and start audits and inspections in country. A majority of PASO members have signed their Service Level Agreements, which will allow PASO to conduct work and be paid for it. PASO is looking at extending its services to include Air Traffic Services audits in the member countries. PASO currently has 12 members with Tuvalu to join in early 2008. The Secretariat continues to work with the FICs which are non members to join PASO.

**Forum Principles on Regional Transport Services (FPRTS)**

Implementation of FPRTS has been steady in all members and continues to gain momentum. 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. A number of members have been working with the Secretariat in improving the delivery of greater services to improve the efficiency, effectiveness and sustainability of both air and shipping services. The FPRTS uses as its basis, the serious challenges faced by FICs in providing reliable transport services.

So far, FICs have made good progress towards implementation especially in the area of accountability and transparency. The transport workshop held in May 2007, addressed how the FPRTS should be incorporated into national transport policies/strategies and decision-making. The workshop also examined in-depth what the principles are and how to best implement them under different conditions. It also discussed in detail the role and function of PASO and why PIASA is important for improvement of air services in the region.

**Information and Communication Technology:**

Developments in Information Communications Technology (ICT) continue to move forward at national and regional
level. Sector reform and major investments in mobile and internet technologies have occurred in a number of countries and regional initiatives to bridge connectivity by both satellite and cable are in progress. Regional policy and regulatory capacity is being increased. The major remaining issues are bridging the digital divide between urban and rural areas and the development of suitable applications, services and content for the broader community.

Sector reforms have resulted in a number of new licenses for telecommunications being issued and services rolled out in countries. A dramatic acceleration in usage and access to ICTs has resulted in these countries demonstrating the benefits of competitive and open markets. Sector reform is continuing in most of the remaining countries.

The Regional Internet Connectivity (RICs) project has started. It aims to use an existing satellite to provide connectivity using Small Aperture Satellite (VSAT) terminals in rural and remote areas powered by solar energy. Trials of pilots which are to be scaled to a full fledged rural access network are funded and equipment purchased.

A number of bilateral and regional cable projects are at various stages. A major initiative to link the French Territories with a number of Pacific islands communities has been proposed.

While the RIC project will provide the necessary connectivity potential, there is much regulatory work necessary to enable these services to be widely available and more work required to provide relevant and useful services to rural areas. While the technology is now available, there is much effort needed to enable applicable and viable ICTs services including voice services to be delivered to the Pacific.

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 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 2003 and by end of 2007, five FICs namely Cook Islands, Fiji, Niue, Samoa and Solomon Islands were ready to commence trading under the Agreement. Vanuatu has also announced its readiness to trade under PICTA but the Secretariat is yet to receive formal notification. Four FICs - Kiribati, Nauru, PNG and Tonga have completed their notification requirement under the Agreement. They will commence trading under PICTA once they have put in place legislative changes to accommodate the Agreement. Tuvalu and the Federated States of Micronesia have signed the Agreement and are at the ratification process. Palau and the Republic of the Marshall Islands are yet to accede to PICTA.

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, EU, 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. This is 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 eight-year period.

Work has started on 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 liberalization in the context of PICTA was held in 2007. This was to seek further inputs on the modalities, potential structure and principles of a proposed trade in services agreement among the FICs as an extension to PICTA. Given the Pacific ACP Trade Ministers mandate for Trade officials to conclude a trade in service agreement by 2008, a draft trade in Service agreement as an extension to PICTA was prepared aligned to Ministerial decisions. This draft legal text was distributed to the FICs in December 2007 for their consideration and to enable members to prepare themselves for negotiations in 2008.

There is also a possibility of expanding the participation in PICTA to the French and US Pacific overseas territories. A sub-committee comprising Forum Trade Officials with technical support from the Secretariat visited New Caledonia in 2005 to initiate discussions on PICTA and PACER with representatives of New Caledonia. A report by the subcommittee indicated that New Caledonia has the political mandate to accede to the PICTA and that the government there will embark on making internal arrangements to prepare for PICTA accession. The initial assessment on the impact of PICTA on New Caledonia’s economy, to be undertaken by the New Caledonian authorities was to be completed in 2006, for further follow-up actions on PICTA accession. Relevant authorities representing the French and US Pacific territories were approached in 2007 to advance work on PICTA Accession by these countries.

The Pacific Agreement on Closer Economic Relations (PACER)

The PACER entered into force in October 2002 and to date 11 Forum members, including Australia and New Zealand have ratified the Agreement. The PACER is a framework agreement setting out the basis for the future development of trade relations among all 16 Forum Members. FICs who are Parties to 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). The RTFP has 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.

**Multilateral Trade Policy**

The Office of the Forum’s Representative to the WTO, based in Geneva, continued to be active throughout 2007 in support of four FIC WTO members, Fiji, Papua New Guinea, Solomon Islands and Tonga (which joined during 2007) and the other FICs. The focus is on the further development of the WTO Small Economies Work Programme, in collaboration with the Caribbean Community and the Indian Ocean Commission. There are also other issues of major importance to the FICs, including trade-related fisheries matters. The Forum’s WTO Representative, Mr Robert Sisilo continued to, be assisted by a technical adviser, Ms Manleen Dugal. Ms Dugal’s services have been made possible through the assistance of the Commonwealth Secretariat (Comsec). Her services have been secured into 2008 thanks to further assistance from Comsec. A Solomon Islands Trade Official was seconded to the Office for six months during the year and another FIC official is expected to be posted to the Office in 2008. During the year FIC WTO Members also took important decisions to establish the Office on a permanent basis. It is currently funded largely through assistance from the European Union.

**Hub and Spoke**

The Secretariat has hosted the Hub and Spokes Project, implemented by the Commonwealth Secretariat and funded largely by the European Commission. Project activities focus on capacity-building in trade-related areas in the Pacific ACP States (PACPS). These have been strongly supported by Forum members. Project-funded experts are based both at the Secretariat and in a number of PACPS.

**Intellectual Property Rights**

Intellectual Property Rights (IPR) policy development aims to strengthen the region’s IP regimes and laws in order to attract private sector investment. Key activities for the year focused on regional collaboration to advance the proposed regional facility for trade mark administration. The Government of Australia through IP Australia, continued to play a key role as technical assistance provider under this component. Other significant developments included a clear way forward on the Pacific Plan-mandated activity for the establishment of a regional institution to promote IPRs and Traditional Knowledge (TK). Regional IP Officials met in June and agreed to the commissioning of a study (including the basis of a Terms of Reference) into the feasibility of establishing the institution. The study will be undertaken in 2008 for the consideration of Forum Leaders. For the first time, regional IP officials considered regional intellectual property issues in the context of the Economic Partnership Agreement (EPA) negotiations with the European Union (EU) and recommended that Pacific ACP Trade Ministers be cautious about including IPRs in the EPA.

Frameworks to address indigenous IP progressed relatively well in 2007. This followed a workshop held in June to determine the technical assistance needs of member countries in the implementation of the regional frameworks on TK. A significant development included the transfer of the lead agency role for the Model Law on TK and Expression of Culture from the Secretariat of the Pacific Community (SPC) which
held this role since 1999, to the Forum Secretariat. This allowed the Secretariat and its partners on this initiative (SPC, SPREP & WIPO) to develop a programme to assist member countries develop legislation based on the regional model frameworks. They will also establish databases for TK in 2008. This is to promote the protection of TK as well as provide opportunities to generate commercial activities for the improvement of livelihoods in the region.

Cotonou Trade Issues/Economic Partnership Agreements

A series of meetings were organized in 2007 for the Pacific Regional Negotiating Machinery (RNM) both at the Senior Trade Officials and Ministerial levels. This included the joint PACP-EC technical/officials and ministerial negotiations with the aim of concluding the EPA negotiations to meet the deadline of 31st December 2007 as stipulated in the Cotonou Agreement.

Two of the PACP-EC joint technical and ministerial negotiations were held in the later half of 2007. Although these negotiating sessions were intended to conclude an interim EPA agreement with EU for most of the PACPS, only Fiji and Papua New Guinea agreed to sign the interim agreement. This was done following the PACP-EC joint Ministerial meeting in Brussels on the 14th of November 2007, where PACP Trade Ministers met with Messrs Peter Mandelson and Louis Michel, EC Commissioners for Trade and Development, respectively, in which important decisions were taken on key elements of the Interim Agreement.

That Interim Agreement (IA) will secure preferential access for the exports of Fiji and PNG into the EU market from 1 January 2008. Seven other non-LDCs (Cook Islands, Federated States of Micronesia, Nauru, Niue, Palau, Marshall Islands and Tonga) did not join the interim agreement. Their exports to the EU will be under the Generalised System of Preference (GSP) regime as of 1st January 2008. The PACP LDCs, East Timor, Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu will now export under the Everything But Arms (EBA) initiative.

The EC has indicated that any other PACP country may accede to the above interim agreement “upon fulfillment of the relevant conditions and in particular the submission of a WTO compatible market access offer”. A comprehensive EPA with the EU for the Pacific ACP states will be negotiated and concluded before 31st December 2008.

Pacific Regional Economic Integration Programme (PACREIP)

The Financing Agreement, 9.ACP.RPA.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 Sector and Fiscal Reforms, and Environmental Impact Assessment;

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.

Component 5 - SPTO

Component 5 of PACREIP which was implemented by South Pacific Tourism Organisation (SPTO) has concluded on June 30th 2007.

PACREIP Mid-TERM Review

The Mid-Term Review (MTR) of PACREIP was carried out in 2007 and the aim was to provide an assessment of the design and performance of PACREIP in accordance with the requirements of the Financing Agreement to ensure transparency and accountability towards the wider public and taxpayers, and towards the population of the participating Pacific ACP countries. The objectives of the Mid-term Review as set out in the TOR were as follows:

- Determine the efficiency, effectiveness and impact of the Programme and the sustainability of the substantive outcomes (intended or not).

- Assess the original Programme design and recommend improvements (if any), including to the logical framework.

- Assess the extent to which the results of the Programme will be sustainably maintained by the Member Countries and PIFS.

- Ascertain the need for an extension in time and other resources in order to effect a smooth transfer of activities to the member countries.

The research in the Pacific was carried out in the period 10 June to 20 July 2007. Interviews were conducted with staff of PACREIP and the Forum Secretariat, with government officials of PACPS and with NSAs, including the private business sector. Respondents were mostly identified by PACREIP PMCU. The following countries were visited:

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<thead>
<tr>
<th>Country</th>
<th>Dates</th>
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<tr>
<td>Fiji</td>
<td>10–18 June, 15–20 July</td>
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<tr>
<td>Tuvalu</td>
<td>18–21 June</td>
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<tr>
<td>Papua New Guinea</td>
<td>23-27 June</td>
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<tr>
<td>Kiribati</td>
<td>28 June – 2 July</td>
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<tr>
<td>Marshall Islands</td>
<td>2–7 July</td>
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<td>Samoa</td>
<td>8–14 July</td>
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The Report of the MTR concluded that apart from the need for PIFS to improve on the visibility and awareness of the activities of PACREIP among PACPS and other stakeholders, and to sort out some of the management ambiguities in relation to the role of the Programme Manager of PACREIP, the overall performance of the PACREIP has been successful and consistent with the objectives of the Contribution and Financing Agreements of PACREIP. The Report also went further to recommend that PACREIP be renewed for the next phase of the regional economic integration programmes of the PACPS, especially for more focused support at national level.

**Pacific Regional Indicative Programme (PRIP)**

Implementation of the PRIP has been good over the last twelve months with the 9th European Development Fund (EDF) fully committed. All the regional projects are implemented through Contribution Agreements allowing regional implementing agency some flexibility to use their own rules and procedures. As the Regional Authorising Officer, the Pacific Islands Forum Secretariat current administers 17 active projects with a total value of approximately €68 million. Additionally, the RAO is contracting authority on behalf of five countries implementing a €11.4 million NIP-funded Renewable Energy Programme.

The focus of the Work Programme has been in programming of the 10th EDF particularly in developing the Regional Strategy Paper. This involved a lot consultation with key stakeholders including officials of the European Commission. There is also a very strong link in the programming process and the negotiations of the European Partnership Agreement (EPA) between the European Union and the ACP States. The negotiations of the EPA were supposed to have been concluded by December 2007 however this was not possible. Programming of the 10th EDF has been delayed to run parallel with the EPA negotiations.

The European Commission indicated during the reporting period that the financial resources to be made available for the 10th EDF Regional Indicative Programme would be increased to €95 million. The key policy documents relating to the 10th EDF programming is the EU’s Pacific Strategy and the Pacific Plan. Both policy documents promote the overall objective of the 10th EDF RSP of regional integration and cooperation supporting the two focal areas of Economic Growth and Sustainable Development.

The National Authorising Officer’s and the Pacific ACP Trade Ministers met in May and in late July 2007 to discuss programming of the 10th EDF. This was a very useful forum as the EPA negotiations was intricately linked to the programming process and both stakeholders were key players in taking important decisions on the EPA negotiations and the programming of the RIP.

There were two meetings in Brussels of the Regional Preparatory Task Force group (RPTF) which is a joint working group comprising NAOs, trade officials and EC officials. The RPTF was formed to advice on trade and development needs of the Pacific region particularly in identifying possible intervention areas under the 10th EDF RIP and funding opportunities from the European Commission and other sources.

An institutional review of the Pacific Islands Forum Secretariat was also commissioned by the European Commission in the first quarter of 2007. The review was undertaken by PriceWaterhouse Coopers to assess whether the PIFS rules and procedures comply with international standards. The objective of the review is
assess whether CROP agencies implementing EDF projects can continue to use Contribution Agreements to implement the 10th EDF programmes. The outcome of the review has generally been positive and there will be further consultations with the EC on implementing recommendations.

During the reporting period a monitoring mission visited the region in August 2007 to undertake Results Oriented Monitoring covering most of the regional projects. Project Steering Committee meetings and independent audits were also undertaken on all regional projects.

Three Financing Agreements were signed in 2007. The Financing Agreement and Contribution Agreement for the Disaster Risk Reduction Project (B-Envelope) were signed in October 2007. These were from collective balances of the B-envelope reserved for natural disasters that were packaged into a multi-country programme. The project will be implemented by SOPAC. In November 2007, Financing Agreements and Contribution Agreements were also signed for the Facilitating Agricultural Trade in the Pacific (FACT) project (FACT) and the Scientific Support for Oceanic Fisheries Management in the Western and Central Pacific (SCIFISH) project each with a budget of €4 million. Both projects will be implemented by SPC. As a result of these commitments the 9th EDF RIP allocation of €39 million is now fully committed.

**Business Development, Export and Investment Promotion and Import Management:**

**Private Sector Policy Development**

The private sector continues to play an important role in the economic growth of the FICs. Therefore, assistance for the development of the private sector remains an important component of the Economic Governance Programme.

Investment is a key stimulant to economic growth, and subsequently contributes significantly to the emergent private sector in the FICs. However this remains a problem in the FICs and will be a focus of the private sector development work in 2008.

**Key accomplishments in PSD**

Training of small business development (SBD) agencies on Business Diagnostic Toolkits were completed in eight FICs (Cook Islands, Fiji, FSM, Palau, PNG, Samoa, Tonga and Tuvalu). The remaining seven will be done in the first half of 2008. The objective is to provide the SBD agencies with the skills and tools to assess the capability gaps of the local businesses using a set of web-based toolkits. This will enable them to provide more targeted and relevant assistance to the local businesses. The goal of this project is to have a Business Capability Profile for all the FICs; a database that will be useful to donors and development partners in formulating policy and technical development plans for the private sector on a regional basis. This work has been in collaboration with the USP Graduate School of Business.

Further collaboration with the USP enabled the PSD Unit to respond to a request from Tuvalu for a workshop on Business Skills for the local businesses. This was extremely successful and the PSD Unit has been requested to help Tuvalu develop a Strategic Plan for its private sector. This work will be done in 2008.

A milestone was reached in Niue with the production of their very first Strategic Plan for the development of their private sector. This work began in 2006 and was completed in July 2007 by the PSD Unit in collaboration with the PITIC Auckland office.
In country product development workshops in 2007 concentrated on value adding to handicraft products in Kiribati and Nauru. These have reaped benefits with bulk sales of specific products to TradeAid, New Zealand and further developmental work will be continued for these countries by TradeAid NZ and PITIC Auckland. The highlight of this project was the realisation that even without an enabling environment that seeks to encourage the establishment and growth of businesses, this small achievement by the handicraft producers shows what can be achieved through sheer determination.

The Marketing Support Fund (MSF) remains the most popular and sought after assistance. The Fund provides small grants, ranging from F$5,000 – F$8,000 to SMEs who do not have extra resources for marketing and promotional activities. Activities funded under the MSF include Market Research and Exploration, Participation at Business Conferences and Exhibitions and Production of Promotional Material.

The Industrial Development & Training Programme (IDTP) provides funding to SMEs for in-house training and training attachments. There was an increase in the number of SMEs assisted under this scheme during the year as the importance of ongoing training to business growth and competitiveness is realized.

**Import Management**

The Import Management programme has continued to provide members with a wide range of policy and technical support to address concerns over the structural dependence of our economies on key import commodities. While work traditionally centered on energy markets, namely oil and gas, the boom in global commodity markets has seen members’ needs broaden significantly.

In 2007, the work programme focused on progressing a number of key Pacific Plan initiatives. The Secretariat was successful in achieving the necessary mandates to assist in the design and implementation of pragmatic solutions to address growing concerns in the on-going security of supply, affordability, and accessibility of key commodities. Building support at both the official and political levels regional approaches to address these specific issues include:

- The Pacific Leaders’ call to progress the concept of regional procurement for essential goods and services and the implementation of a regional procurement arrangement for Petroleum Products (Pacific Energy Ministers Meeting, Cook Islands, May’07);
- The Chief Pharmacists agreement for a regional procurement arrangement for Pharmaceuticals and Medical Supplies (Chief Pharmacists Meeting, Tonga, Aug’07) and
- The Smaller Islands States (SIS) call for oil price risk management and consumer protection (Forum Officials Meeting, Oct’06. Suva, Fiji); Regional collaboration on oil procurement is one key issue raised in recent Leaders meetings.

The services available to members are provided with in-house resources and capacity. It is expected that the support provided in 2007 will continue to be available in 2008, namely:

- Commodity Market Intelligence and Information – World market and regional prices for petroleum products are tracked, analyzed and disseminated to the FICs on a regular basis. Country specific technical activities on other commodities
were facilitated including monitoring and analyzing market information for commodities such as rice and wheat.

• Pacific Plan Initiatives – Active advocacy for, and facilitation of two key regional initiatives including the Bulk Procurement of Petroleum Products for the FICs and the Pooled Procurement of Pharmaceuticals for the PICs in collaboration with the WHO.

• Regional Policy and Technical Assistance - The review, monitoring and evaluation of pricing policy frameworks, price instruments, and rate-of-return models and implementation in Fiji, Solomon Islands, Cook Islands, Tonga and FSM in the downstream oil and gas sector. The support also extends to the design and administration of “pass-through” mechanisms for commodity price movements in the electricity sector.

• Food & Energy Security Initiatives – The active engagement of the CROP-EWG to develop and support the implementation of the PEEM Action Matrix, and the coordination of various donor support and capacity building initiatives such as the regional Sustainable Development Workshop by the Government of India and The Energy and Resources Institute of India (TERI).

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 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
A number of new initiatives were implemented during the year in all portfolios and adhered closely to the second of three strategies to; create and build a culture of creativity and innovation. The portfolios streamlined their activities to three to four main areas and with a more focused approach were able to achieve their 2007 annual work programmes. The Commission continued to attend to requests for assistance from various FICs and these were incorporated into the work program. With the focus on creativity and innovation the Commission also incorporated the use of technology to promote several of its activities.

Some of the key highlights for the year were:

• Adding Value to the Recognised Seasonal Employer Scheme – PITIC NZ gave its full support to the Recognised Seasonal Employer (RSE) Scheme by adding value to the work of the New Zealand Department of Labour (NZDOL). Through the production of a pre-departure orientation DVD, RSE Pacific workers explained pertinent information on working conditions and requirements in their own languages. PITIC NZ was later invited by DOL to promote the DVD at the official RSE launch in Wellington to the Pacific Islands Forum countries labour departments and private sector organizations. PITIC produced a one minute RSE multimedia promotion of the DVD for the launch which attracted more than 300 high profile government officials and businessmen. The RSE DVD was translated into the five participating countries languages; Tonga, Samoa,
Tuvalu, Vanuatu and Kiribati and is being circulated to NZ RSE Employers and to the participating Pacific nations.

- New Award for Pacific Island Exporters and RSE Employers in NZ: The Commission announced a new Pacific Islands Exporters Award and RSE Employer Award category to be incorporated into the Pacific Business Trust Awards 2009. In support of the announcement the Commission produced a three minute promotional DVD to increase awareness of the Commission and the awards amongst more than 1,000 high profile business representatives and government officials. The organization and promotion of the awards start in 2008.

- North Meets South Trade Mission: promoting business opportunities with Micronesia – PITIC in partnership with the Pacific Islands Forum Secretariat Private Sector Development (PSD) unit invited representatives of the Federated States of Micronesia, Palau and the Marshall Islands to attend the North Meets South Trade Mission to Fiji and New Zealand after attending the Pacific Islands Private Sector Organisation (PIPSO) Business Forum in August. The mission is estimated to generate NZ$500,000 worth of potential business between the North and South Pacific. In addition, the delegates from Micronesia returned home with a better understanding of NZ and Fiji markets. More than 200 key contacts were established with the mission generating a high level of media coverage in Fiji and NZ for the Commission on television, radio and print.

- Air NZ Return to Roots Mission to Samoa and Tonga

Promoting investment opportunities - PITIC NZ organised a mission of 10 New Zealand based Pacific Island business people to Samoa and Tonga in search for potential investment opportunities. The visit highlighted a wide range of opportunities for the Pacific entrepreneurs excited to view their homelands as potential investments. The positive outcomes are estimated in excess of NZ$1 million worth of business into Samoa and Tonga in the next 12-24 months. Two participants are investigating MOUs with producers of Samoa Coconut Oil and processed smoked tuna fish. In addition, a Cook Islands delegate is interested in establishing a trading agreement between the Pukapuka community of the Northern Cook Islands and Samoa. Excellent TV, Print and Radio coverage of PITIC and key sponsor Air NZ was generated.
• Small Island States economic development –
In joint partnership with the PSD unit, the Commission assisted the Niue Private Sector with the formulation of the Niue Private Sector Development Strategic Plan 2007-2010. PITIC also assisted with the production and launching of the document in Auckland and Wellington. Furthermore, in-conjunction with NZ Institute of Tourism Research the commission funded the design and development of a Niue departure survey and other research tools to assist in the development of a decision support system for Niue tourism and economic development.

• Women and Handicraft development in the Pacific
PITIC linked Pukeko’s Nest, a Handicraft Manufacturer in NZ with Handicraft Businesses/Associations in Tonga. Pukekos Nest cufflinks are made from seashell and bone carving and will be produced by Fehoko Handicraft. The packaging will be produced by the Young Solo Mothers Association. During the year Trade Aid NZ, PIFS PSD Unit and PITIC joined forces to assist the Nauruan Women Handicraft Association to open up doors to their handicraft as well as innovative handicraft designs. Handicraft workshops in Kiribati and a scoping visit to Fiji was also conducted by PITIC and Trade Aid NZ. As a result of the workshops, a product catalogue was produced. Product orders were placed by Trade Aid with Nauru and Kiribati. Further promotional opportunities were also identified for Kiribati and Fiji for the Pacific Trade Expo 2008 & Pasifika Festival 2008.

• Diving Holidays –
The Commission funded an advertising campaign conducted by Dive Snow & Fish Travel in NZ to promote dive holidays in the Micronesia, PNG and Solomon Islands. Results from the campaign exceeded expectations. In the period July to December, visitors to the Micronesia websites have substantially increased by 1,744%, PNG webpage views increased by 956% and Solomon webpage views also increased by 650% in comparison to the same period in 2006. Overall sales for dive holidays to Micronesia, PNG and Solomon Islands have increased substantially by 193% in comparison to 2006.

• Increasing the Pacific’s understanding on NZ’s export requirements –
A joint partnership between PITIC and Food and Agriculture Organisation enabled the production of an educational DVD titled “Pacific Island Products Destined for NZ: Understanding the Process.” The DVD is an educational tool for Pacific Island agriculture businesses to increase their overall understanding of New Zealand customs, quarantine and food safety requirements. Another joint venture was signed with Pacific Cooperation Foundation (PCF) to produce an interactive web based CD ROM to complement the DVD.

The CD ROM provides more indepth information on the regulatory and market conditions for potential export products from the Pacific destined for New Zealand.

Pacific Islands Trade and Investment Commission, Sydney

PITIC Sydney completed a number of projects in areas as varied as food packaging and labelling, website design and development, promotion of cultural industries and facilitating an important trans-Melanesian roundtable discussion
on housing finance. Diverse as these themes may be, all projects had one major priority and that is; assisting Pacific Island businesses to better engage with themselves commercially and with Australia and with the rest of the world.

**Business Information Support**

PITIC Sydney is aware that current and accurate information and data is critical to good business practice. In recognition of this, PITIC completed a major revision of five product-specific export guides in basic agriculture products like taro, timber, coffee and cocoa as well as a “Packaging and Labelling Guide to the Australian Market”.

The Commission also compiled a series of mini BIGs (Business Information Guides) for all 14 FICs for their use in promoting their business environment and investment opportunities. PITIC Sydney through its Information Support Section actively engaged with Australian company Business Advantage International, to produce a special “South Pacific: Your Gateway to the South Pacific Economy” edition.

**Inter-Regional Investment Development**

In mid 2007, PITIC Sydney was instrumental in practically supporting and facilitating a high-level PNG Investor Mission to the Solomon Islands, Vanuatu and Fiji. The aim of this mission was for these reputable PNG investors to explore possible investment and JV opportunities in neighbouring countries. Useful outcomes from the mission include ongoing dialogue and business planning between various JV partners for investment in such areas as tourism (hotels/resorts), financial services and infrastructure as well as staff and skills training exchange programs between PNG and Vanuatu superannuation funds.

This mission proved a catalyst for PITIC to further assist in enhancing investor relations in the Melanesian sub-region when it designed and facilitated a first-ever-of-its-kind roundtable discussion on Housing Finance. The Roundtable was attended by senior executive management officials from the public and private sectors from across the sub-region and Australia. This initiative will be further progressed by the Economic Governance & Security (EGS) Programme of the Forum Secretariat. PITIC however, is using this gathering as a foundation to create and/or further strengthen network relationships with key financial service providers in the region.

**Tourism Promotion & Development**

PITIC Sydney programs in this area were evidenced by the ongoing promotion and development of the Pacific’s rich and cultural diversity through support of Traditional Knowledge (TK) and Expression of Culture (EC) focusing on the Cultural Industries in the region. Two important milestones were reached when PITIC Sydney directly introduced and facilitated BBC Television and Discovery Channel to Imajica (PNG) Ltd to film a “Pacific Communities” series focusing on Intangible Heritage Tourism (IHT) projects, in particular, the Shark Callers of Tembin, New Ireland (PNG) and the Dolphin Callers of North Malaita (Solomon Islands). “The Shark Tribe” which was filmed on location in New Ireland was aired on Discovery Channel during the annual “Shark Week” series in August 2007.

PITIC Sydney continued to support including sponsor several FIC National Tourism Offices (Cook Is, Samoa, Niue, Tonga, Vanuatu and Solomon Islands) to participate at significant holiday, travel and tourism exhibitions in Australia and in particular a major Pacific Cultural Stage/Program in Sydney in early 2007. Additional support for the Cultural Industries was assistance to artists from
Fiji, PNG and Cook Islands under their Pacific Arts Alliance organisation to participate, exhibit and extend their contact network in Queensland at the 2007 Indigenous Art Festival, “The Dreaming Festival”.

The importance of data and information for business planning resulted in PITIC’s annual publication “Australian Outbound Travel 2006” which was extensively realigned to provide better analysis for FIC governments and industry operators in the Islands to use when targeting the Australian traveller market.

Export & Enterprise Development Support

PITIC Sydney part sponsored and facilitated a number of training attachment programs and workshops ranging from website and database design and modification to a specialised Fisheries Training exercise and a series of Quarantine Workshops in Suva and Lautoka. The workshops were to help Fijian farmers and business operators update their knowledge of Australian import requirements for fresh produce and marine products exported from Fiji.

PITIC’s Sydney enterprise development work involved working with SMEs in Vanuatu, Fiji and Tonga to improve their export capacity specifically in areas such as packaging and labelling, point of sale materials.

In support of the youth of the region, PITIC Sydney hosted two young trainees from Vanuatu’s first commercial radio station Capital FM on a familiarization visit to Sydney and Melbourne to meet with potential partners and up-skill their marketing and on-air broadcasting skills.

Relationship Building

PITIC Sydney was actively engaged with its stakeholders including AusAID in a bid to improve cooperation on its program design and implementation including monitoring and evaluation of trade, investment and tourism development activities in the region.

Pacific Islands Centre (PIC), Tokyo

With the limited number of staff, (three professionals and other part-time supporting staffs), the Pacific Islands Centre (PIC) deployed its staff mainly in implementing four activities:

• revised/updated the contents of the Centre’s website;
• participated in renowned events and trade fairs held in Japan, through which facilitate business negotiations between Japanese companies and FICs’;
• organized a trade missions to PNG;
• organized a seminar with UNIDO Tokyo Office and PNG Embassy.

In view of the vast distances between Japan and the Pacific region and the fact of no large community of the Pacific Islanders in Japan, the PIC fulfilled its duties with emphasis in disseminating information to the Japanese for the year 2007 too. To do this, PIC Tokyo utilized its website and attained its purpose so that the number of visits to the PIC website posted more than 329,000 people, increased by 53.6 % compared to 2006. It means that about 900 people visited the website everyday. This is a result of the PIC’s continuously revising the content and improving the system.

Following introduction of PIC Internet Virtual Shopping Mall in 2005, a new page was installed on the website under the name of “Hotels.Com” in Japanese, making it easy for Japanese tourists to check the rates and URL address of FIC hotels.

PIC Tokyo introduced a new program called “Seminars on FICs” at the tertiary educational institutions like universities and high schools in Japan in response
to requests from the Ministry of Education of Japan. Two presentations were delivered in November and December.

**Participation in the established and renowned international trade fairs and exhibitions**

This program is one of the excellent opportunities to introduce the region and the products to the Japanese. As for the promotion of tourism, PIC took part in JATA World Travel Fair 2007. It provided the great opportunity to introduce and disseminate tourism information of FICs to the various Japanese targets such as travel agencies, media and general consumers. Four participants from the SISs accepted the PIC’s offered program, providing the air fare and daily allowance to attend the Fair.

The Supermarket Trade Show held in February provided FIC participants not only an opportunity to introduce their products to the Japanese market, but also a worthwhile chance to meet and establish relationship with Japanese supermarket personnel. A number of business inquiries were made during the Show.

The PIC’s Tokyo Support Program (Attachment Program B) was applied to nine FIC participants of the Supermarket Trade Show and has contributed greatly to make the activities more fruitful. The Program provides FIC exhibitors/participants with accommodation fee and daily allowances during the Fair.

**Business Mission**

PIC Tokyo made an effort to organize a business mission to PNG in January. The mission was aimed at finding new suppliers of shrimps; undertaking a feasibility study on the establishment of a dried bonito factory; and providing advices to the agricultural producers in PNG. Two local entrepreneurs showed their interests in establishing a factory and PIC is continuing to provide support.

**Business Seminar**

PIC Tokyo co-organized a Business Seminar on Papua New Guinea together with UNIDO Tokyo Office and PNG Embassy in July. Out of more than 100 participants, there were some large companies including some mineral and oil/gas related companies. At the end of the seminar a oil/gas mission visited PNG in October.
Sustainability & Good Governance

GOOD GOVERNANCE PROGRAMME

POLICY COORDINATION & ADVICE PROGRAMME

SUSTAINABLE DEVELOPMENT PROGRAMME
Good Governance Programme

The Pacific Plan’s Good Governance pillar looks to strengthen the management of the region’s resources through building institutions and processes that will assist transparency, accountability and equity.

While only having one strategic objective, its coverage is broad. Its eight initiatives aim to address what are amongst the most complex and sensitive issues facing the Pacific today, notably land ownership and the alignment of modern and traditional systems of governance.

Perhaps more so than with other pillars of the Pacific Plan, work supporting efforts to improve governance is done within a complex network of relationships, roles and responsibilities. Varying from country to country within the region, competing visions of sovereignty, sometimes codified in laws and constitutions, sometimes the product of strong cultural traditions and shared visions of statehood only add to this complexity.

A review of initiative-level reporting indicates that while work has commenced under all eight initiatives, progress was varied over 2007.

In support of Initiative 12.1, work continues in exploring ways to strengthen the region’s accountability and integrity institutions, namely that of Ombudsman and Auditor General Offices. In the case of the former, collaborative efforts drawing together the Forum Secretariat, the UNDP’s Pacific Centre, AusAID, Australia’s Commonwealth Ombudsman’s Office and the Pacific Ombudsmen’s Network have led to the development of a term of reference for a scoping study and consideration of options for forging consensus among Pacific Island Countries on greater regional cooperation. A series of consultations is planned to be undertaken in Kiribati, Tuvalu, Nauru and Niue early in 2008. The options will be discussed at a regional workshop planned for May 2008 in Port Vila, Vanuatu. The report on the proposed option will be presented to the 2008 Pacific Plan Action Committee. A steering committee will have oversight of the work.

This collaborative approach continues with the Forum Secretariat, the Asian Development Bank, AusAID and Forum members progressing work supporting the strengthening of Auditor General Offices through the South Pacific Association of Supreme Audit Institutions using the association’s good practice features.

Using Supreme Audit Institution benchmarks, diagnostic studies are being undertaken of the Association’s members. In addition, discussions with the governments of Tuvalu, Nauru and Kiribati, have continued in efforts to strengthen Auditor General functions by progressing a feasibility assessment of a sub-regional audit office model. This effort signals a growing willingness to apply innovative approaches in response to capacity and technical constraints through a sub-regional approach.

Finally under initiative 12.1, work continues in exploring the possibility of establishing a regional or sub-regional customs service. Following a direction issued through the 2006 Forum Economic Ministers’ Meeting, this year’s Economic Ministers’ Meeting noted the potential for adopting phased regional approaches through pooling resources to help alleviate
underlying structural problems. Ministers further noted that regional options should be explored which would include, for example, in the short-term, building on regional cooperation that expands on the current efforts of agencies such as the Oceania Customs Organisation, sharing of appropriate technology, support to members in the harmonisation and simplification of customs procedures and sharing of information on landed costs of goods and services at the border, as well as providing mobile post-clearance audit teams.

Ministers also discussed modalities for regional pooling and delivery of services, to assist audit of Customs revenue collection processes and the systems and documentation held by importers and exporters. They directed the Forum Secretariat to work closely with the Oceania Customs Organisation and to consult all members widely to implement practical options for further regional approaches including in the areas of training, model legislation, post-clearance audit and information technology. Finally, Ministers agreed to explore, in consultation with the Oceania Customs Organisation and other stakeholders a feasibility study to determine the viability of targeted customs services at sub-regional levels. The preliminary results of the feasibility study will be presented at the Oceania Customs Organisation meeting in April 2008, with a final report presented to the Forum’s Economic Ministers at their next annual meeting.

Initiative 12.2 has seen modest progress in supporting the strengthening of leadership codes around the region. This is being complemented by the implementation of the Pacific Leadership Programme (PLP) which has witnessed considerable effort in the forward planning and design of a work programme to strengthen leadership in the region. AusAID in support of the Forum Principles of Accountability and Good Leadership, in association with the Forum Secretariat will be introducing the Program in 2008 with the Secretariat housed at the Forum Secretariat. The PLP is a major initiative arising from the White Paper on the Australian Government aid program to strengthen political governance in the Pacific. PLP seeks: to contribute to improving governance in the region through improving leadership practices emerging at national, local and regional levels. It will be implemented through four focus areas: policy engagement; support for innovative leadership practice at national levels; development of a strategic research and analysis agenda; and partnerships with regional institutions. It will engage with a broad cross-section of stakeholders across the region, including the private sector, women, youth, the media, academics, parliamentarians and the public sector.

The PLP will be overseen by a Pacific Leadership Panel comprised of eminent Pacific Islanders, with AusAID and the Forum Secretariat. Upon its establishment PLP through a range of delivery organisations in different countries will implement the Program across the Pacific. The Program will have a strategic engagement with the Forum Secretariat, AusAID Country Programs and regional institutions, as well as provide grant funding to individual government, civil society and other organisations in each country. Initial phase of PLP will cover Papua New Guinea, Solomon Islands, Vanuatu, Tonga, Samoa and East Timor. This program has an initial two-year funding commitment of $10.1 million 2007-2009, for an initial ‘pilot phase’ in order to lay the foundations for a longer-term program. This work has seen careful effort to consider ‘fit-for-purpose’ approaches and develop
a flexible strategy for engaging current and future leaders at national and local levels. In doing so, it seeks to focus on building both the skills and values for ethical and effective leadership.

Other initiatives such as 12.3, 12.4 and 12.5, 2007 have seen the progression of extensive and much needed consultation and diagnostic assessment.

Initiative 12.3 has seen the commissioning of 10 studies under the Land Management and Conflict Minimisation Project. These intensive studies will result in the completion of a comprehensive analysis identifying ways to strengthen land tenure systems among Forum Island Countries in ways that minimise future conflict and facilitate economic development. It is important that this work addresses national political and social situations. In the area of harmonising traditional and modern values and structures, the Forum Secretariat, in partnership with the UNDP Pacific Centre, the FSPI, the Commonwealth Local Government Forum (CLGF) Pacific Project and the USP’s Pacific Institute of Advanced Studies in Development Governance have initiated an examination of traditional and local governance systems in Pacific Island countries.

The listed partners are also the steering committee for this project. This study is funded by jointly by the UNDP Pacific Centre and the CLGF. It is to be implemented by FSPI. The findings of the study are expected to be known in 2008.

In an effort to strengthen the region’s statistical information systems (initiative 12.4), SPC continues to provide much needed technical assistance and guidance on developing a solution to the region’s poor statistical capacities, the existence of which hamper government efforts to effectively plan national priorities. This work will be supported by a joint SPC-Forum Secretariat bench marking study to determine systemic weaknesses across the region in the area of statistics collection, and to explore appropriate regional approaches in specific areas of need. This approach was discussed at an informal meeting of development agencies and government representatives in Noumea in March this year and drew support, in principle, from agencies including Pacific Finance Technical Assistance Centre (PFTAC), AusAID and the Asian Development Bank.

Initiative 12.5 has also been the subject of ongoing analysis. This work has drawn together the collaborative efforts of the Forum Secretariat, the New Zealand Law Reform Commission, the New Zealand Human Rights Commission and the United Nations High Commissioner on Human Rights. It has sought to explore the interface between custom and human rights in the Pacific to identify ways to accommodate local values and customs with universal human rights standards and the barriers to ratifying international conventions. Research has also been undertaken on practical suggestions for establishing national human rights institutions.

Collaborative efforts have continued between the Forum Secretariat and SPC under initiative 12.6 on how the two agencies can give the region’s youth a greater voice. SPC has taken a leading role in this initiative and has, among other efforts, launched a mapping study of youth activities in the region to identify areas of duplication and possible collaboration. Work under initiative 12.6 continues with the Forum Secretariat having commenced consultations with countries around the region aiming to enhance women’s participation in democratic and decision making processes. This work has drawn together UNIFEM, UNDP Pacific Centre, SPC and national
women’s organisations throughout the region.

Initiatives 12.7 and 12.8 have seen ongoing efforts directed through the Forum Economic Ministers’ Meeting ensuring greater high-level sectoral ownership of both initiatives. Noting the importance of strengthening the ability of finance and treasury capabilities around the region, Economic Ministers at their annual 2007 meeting reiterated that prudential regulation and supervision of the financial sector, in its broadest sense, remains a challenge in Forum Island Countries, particularly in Smaller Island States.

Significant gaps remain in the supervisory frameworks that exist in Forum Island Countries, which includes the absence of an appropriate legislative framework, insufficient resourcing (human and financial), and the lack of institutional and technical capacity to undertake supervisory and regulatory functions. Economic Ministers directed the Forum Secretariat, in collaboration with PFTAC to expand the work already done by developing specific proposals for regional mechanisms to facilitate better regulation and supervision of financial sectors in Forum Island Countries. This work will include a closer examination of the challenges and constraints (for example, confidentiality issues) in Forum Island Countries’ supervisory frameworks and of potential solutions including outsourcing, contracting, and development of shared supervisory services. This work is being progressed through the joint efforts of the Forum Secretariat and PFTAC.

2007 has seen significant consultations undertaken at national, regional and international levels under the Pacific Plan’s Good Governance pillar on ways to strengthen governance and governing institutions.

Much of this discussion has been framed by what various governance indicators are able to tell us about the strength of institutions and processes in the Pacific. There is no doubt that overall standards of governance have and continue to improve across the region.

That said, assessment against, for example the World Bank’s aggregate research indicators for 1996-2005 on governance shows countries across the region must still work to strengthen their performance in areas such as accountability, government effectiveness, regulatory quality and the controlling of corruption. These and other assessments are echoed by the Forum Economic Ministers’ Meeting Biennial Stock Takes of 2004 and 2006 which indicate that a number of member countries are yet to fully implement the Forum Principles of Good Leadership and Accountability. This and other such evidence suggests that political and financial accountability requires greater attention among public institutions and that the application, implementation and enforcement of laws continue to present challenges around the region.

In 2008, the Pacific Plan’s governance initiatives will continue to build on work undertaken to date to support the strengthening of accountability and integrity institutions. This work will in particular focus on Auditor General and Ombudsman’s offices. An independent, impartial, competent and properly funded public audit agency is a vital institutional arrangement for Forum Island Countries to foster and maintain good governance standards. Proper audits of public expenditure, revenue, financial assets and liabilities achieve invaluable benefits for the public. Regional approaches address scarce human resource limitations, improving integrity and financial scrutiny. Just as
important are strong Ombudsman institutions. Capitalising on the networks of regional Ombudsmen, investigations are underway on developing a regional ombudsman service model. Again, the support of FICs is essential to developing options to address citizens’ complaints about administrative acts and the decisions of government agencies. Recognition of the sensitivities associated with such regional concepts requires flexibility and time to work the issues through by full consultation with Forum Island Countries.

Work in the area of integrity and accountability will be strengthened by increasing our understanding of the relationships between traditional and modern governance values and structures. This increased understanding is needed to build a balance in the level and degree of support given to both traditional and modern structures, values and processes, including the rule and application of laws. Tangible action in this area to support governance is consistent with the Leaders’ vision to treasure the diversity of cultures and traditions as well as reconcile differences between traditional and modern structures in a manner that will strengthen the quality of governance and more importantly governments. This will assist, in entrenching a culture of accountability and transparency across all levels of society. Central to the interplay between traditional and modern governance structures and the values they espouse is integrating the principles of good governance and effective governing processes into national planning. Increased levels of support are needed to understand this interplay and use the benefits of this knowledge to improve accountability, transparency and ultimately, the rule of law.

We can expect to see ongoing work in 2008 to strengthen participation in democratic process and public institutions, particularly that of women. The importance of this has not been lost on Forum Leaders with their 2006 Communiqué drawing particular attention to the need to give greater attention to encouraging participatory democracy. The low number of women in decision-making institutions in the region necessitates concrete steps to advance women’s representation in political decision-making structures. Building an enabling environment through relevant legislative and policy frameworks provides a solid foundation for taking the necessary actions forward at the national level. Regional endorsement provides a strong political mandate for action at the regional level. Without the commitments of FICs to follow through with implementing regional mandates and outcomes, the proportion of women in political decision-making institutions will not improve. As it is at the moment, the region is not maximising the social capital at hand represented by women as half of all members’ populations.

Ultimately however, these changes will be hard fought without fundamentally strong leadership in the region. Support for emerging leaders is a key component to improving the quality of governance in the region. In partnership with the Forum Secretariat and others, considerable progress has been made in this area to date and is expected to continue over 2008. Forum Leaders since the endorsement of the Forum Principles of Good Leadership in 2003 have urged members to integrate the model leadership principles in support of good governance. One of the areas of work undertaken on this front is the Leadership Code which continues to be an activity of the Forum Secretariat. However, unlike the Forum Principles of Accountability,
no stock-take has been undertaken to assess leadership practice against the Forum Principles of Good Leadership. A comprehensive research survey on leadership practices against the Forum Principles of Good Leadership in Forum Island Countries is scheduled for 2008. It is anticipated that the findings of the research survey may provide further areas of governance that might require strengthening and attention in furtherance of good governance. In terms of the wider community and other stakeholders (traditional leadership, women, non-government organisations, academia, young people and the academia), it is anticipated that they become more aware of the effort on improving governance at the regional level through strengthening leadership practice in support of transparency, accountability and responsibility through the formal institutions of state. It is anticipated that such awareness creates the demand for good governance of which elected leadership and public officials are expected. Ultimately, increased demand is exerted on elected leaders to protect and promote the interest of their people and in the interest of the public good. At the regional level, Forum Leaders too should also have an appreciation of the extent to which the Forum Principles of Good Leadership have been applied or is known at the national level since its endorsement. For the Pacific Leadership Program, the research survey on leadership practice identifies critical areas for further intensified interventions in the long-term through country specific initiatives and programs, among others.

The quality and collection of data is an essential component to ensure sound national planning and policy development. The ability of governments to collect, compile and access statistical data assists them in providing better basic service delivery for their populations and an ability to assess the performance of these services. In less developed countries, the need for good statistical data is even greater than elsewhere. The impact of government decisions on the welfare of their people is substantial and the cost of bad decisions is immense. In many developing countries however, statistical agencies are under-resourced and do not function well. Many statistical systems are caught in a vicious circle, where inadequate resources restrain output and undermine the quality of statistics - poor quality leads to lower demand and hence fewer resources.

Developing and implementing the Pacific Plan highlighted the need for quality statistical information. Pacific Plan initiative 12.4 recognises the need to ‘upgrade and extend country and regional statistical information systems and databases across all sectors,’ as does initiative 12.8 which also highlights the importance of establishing ‘an accountable and independent macro economic and micro economic technical assistance mechanism (including statistics) to strengthen treasury and finance functions and provide economic analysis.

The Forum Economic Ministers’ Meeting in 2006 reaffirmed the value of regional economic integration, and in this context requested the Pacific Islands Forum Secretariat and other regional technical agencies, in particular the Secretariat of the Pacific Community, to examine the feasibility of regional approaches to strengthening statistical services. In an effort to ultimately improve standards of governance around the region, work will continue over 2008 to support the strengthening of statistical capacities.
Policy Coordination & Advice Programme

Social policy

Education

Implementing the Forum Basic Education Action Plan (FBEAP) is an ongoing area of work. Forum Education Ministers developed the FBEAP in 2001. It has been reviewed and added to in five subsequent ministerial meetings.

The Project for Regional Initiatives in the Delivery of Basic Education (PRIDE) is the major vehicle for implementing the FBEAP. With the University of the South Pacific (USP) as the implementing agency, the project has established itself well as a centre for assisting Ministries of Education throughout the region and it has achieved most of its targets.

Other areas of the FBEAP have been implemented by other agencies. These include the start of work on a Regional Qualifications Register; piloting curriculum in Entrepreneurship Education and working with other agencies to enhance cooperation and coordination in regional education activities in areas such as integrating health issues with education and exploring opportunities in ICT to enhance learning opportunities.

Convening the Forum Education Ministers’ Meeting was a major activity in the latter half of the year. This meeting reviewed progress on the implementation of the FBEAP and endorsed a full evaluation of the Plan in 2008 that will result in a revised and consolidated Action Plan. The review will also look at the Education Ministerial meeting process as well as options for an appropriate regional support mechanism for education.

The Forum Secretariat executed a regional study on Skills Development, more commonly known as Technical and Vocational Education and Training (TVET) with funding from the Asian Development Bank. A regional synthesis report has been produced as well as country studies for thirteen Forum Island Countries. These are all available on the Forum Secretariat website. The Secretariat is discussing possible implementation of the recommendations of the report with other regional organisations and development partners.

Health

The Forum Secretariat works closely with SPC in health related issues. This collaboration enabled several health issues to be presented to Leaders through the Pacific Plan mechanism.

Leaders endorsed a second Regional Strategy on HIV and other Sexually Transmitted Infections. This Strategy is fully implemented by a range of partners and the Forum Secretariat is particularly engaged with bringing the issue of HIV to the attention of high-level meetings.

The Secretariat convenes the Health and Population Working Group (chaired by SPC) that brings together a range of stakeholders working in related areas, with the aim of enhancing coordination in health.

Enhancing and Standardising Regional Training Programmes in Nursing

Mapping Exercise

A Pacific Plan initiative, the exercise was stimulated by the recognition in the Pacific Island
Countries (PICs) that the current variation in the licensing and education of nurses impacts on the quality of nursing care available in member countries, and that diverse qualification and registration processes impede movements of nurses for purpose of work and study in the region. The study demonstrated clearly that nursing curricula and training programmes vary considerably in relation to quality and that nurse education does not always currently meet specific regional needs for the provision of effective nursing practice. In addition, wide variation exists in legislation, regulation, accreditation, salary structures and career pathways across the region.

The report made several recommendations that would lead to strengthening nursing and nursing education in the Pacific region to promote effective, efficient and safe care for the people of these countries; standardizing regional nurse training programmes; increasing stakeholder understanding of the range of qualifications available; and facilitating the standardization of qualifications for nurses across the Pacific through legislation; workplace planning and employment; and education. The next step is to garner support from key stakeholders in order to implement the recommendations.

**Disability**

As part of its commitment to address disability concerns in the region, the Secretariat through its Disability Coordination Officer facilitated capacity building workshops for Self Help organizations from PICs in Papua New Guinea in February.

Drawing on the informal coordination arrangements in place with the Pacific Disability Forum (PDF) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the Forum Secretariat helped with facilitation of the Pacific review of the Biwako Millennium Framework (BMF) plus Five in Nadi Fiji in March. The outcomes from this meeting formed part of the Pacific contribution to the High Level inter-governmental meeting on the BMF plus 5 held in Bangkok Thailand in September.

The Secretariat was invited to the Bangkok meeting and presented a brief overview of disability developments in the Pacific at the round table meeting for government representatives in the Asia Pacific region.

Working with member countries to advance disability issues is an important aspect and the Secretariat assisted with the organising and facilitation of a disability policy workshop with the Disabled Peoples Organisation and representatives from government in Kiribati in July. This also included providing briefs for Government and non governmental organisations and individuals on important recent regional and international disability developments. Implicit in this was the awareness on the Pacific Plan; the outcomes of the five year review of the Biwako Millennium Framework for Action towards an Inclusive, Barrier-free and Rights-based Society for All People with Disabilities in Asia and the Pacific and the International Convention on the Rights of Persons with Disabilities.

The Secretariat also contributed to the Disability Human Rights workshop organised by the UNDP Regional Resource Rights Team (RRRT) and the Pacific Disability Forum held in November. The Secretariat is part of the team that is monitoring the progress at the country level regarding future plans derived from the workshop.
Integrating social policy

Integrating a social policy perspective into the wider work of the Forum Secretariat is ongoing. Together with trade staff, the Social Policy Adviser and staff worked on possible social impact assessment of PICTA and EPA. Such work aims to assist countries to be aware of possible negative impacts and to prepare strategies to mitigate such impacts. Future work in this area will be on the request of members.
Sustainable Development Program

The year saw further rationalization of the efforts of the Secretariat in the area of Sustainable Development under the Pacific Plan, taking into account the identification of the lead technical roles of other CROP agencies.

The work program of the Sustainable Development Program focused on national planning and budgetary institutional strengthening to improve aid effectiveness as well as national fiscal management. These included both national level efforts as well as regional initiatives under the Pacific Plan. Furthermore, the SDP is the Technical Adviser to joint SDP and Political and Security Program’s customary land management and conflict minimization. It also included providing policy advice, particularly taking into account economic and institutional dimension of sustainable development and environmental and resource governance.

NSDS strengthening

Regional

Regional efforts under the Pacific Plan involved promoting the importance and relevance of strengthening NSDS based planning and budgetary decision-making process for improving aid effectiveness. It included putting to effect Leaders decisions to adopt strategic and programmatic approach to resource and environmental as agreed to in the MSI, JPOI, regional frameworks and or plans of action on cross cutting themes, such as climate change and disaster risk management.

Tangible outcomes include:

- the endorsement by CROP Heads and the Leaders for NSDS-linked mainstreaming of particularly energy and climate change, as well as the call for joint programming amongst CROP agencies dealing with NSDS strengthening under the Pacific Plan (PIFS) and the technical lead agencies for these themes

- the endorsement of joint effort by Forum Secretariat and SPC to support a regional approach to urban management by the Leaders and the SPC Governing Council

- the endorsement by the Leaders of a new initiative under the Pacific Plan on agriculture and forestry, based on a paper SDP had prepared on Foresight and Innovation for Boosting Agriculture – Proactive and Systems View of Science, Technology and Innovation”.

The SDP also prepared and or assisted with papers for discussion at the Pacific Energy Ministers Meeting, including on Energy security as a development issue. This led to key decision by the Energy Ministers and subsequently endorsed by the leaders on the region adopting a more coordinated approach to supporting member countries efforts on addressing energy issues from a development perspective. This has been followed by a joint programming with SOPAC for mainstreaming energy in the respective NSDSs (or equivalent) in Kiribati and Cook Islands (to be implemented in 2008)

National

National efforts involved assisting member countries to strengthen their national level planning and budgeting as well as NSDS (or equivalent) – linked sectoral planning, prioritization, costing and resourcing. The Programme
has also encouraged and assisted with country specific partnerships for implementing evidence based NSDS strengthening at the sectoral levels. Under the different Partnership, the Secretariats main role has been to assist in mainstreaming sectoral issues into national planning and budgetary process, as well as provide economic, institutional and policy input in the development of national action plans.

The key achievements include:

• the finalization and launching of the Cook Islands National Sustainable Development Plan, which is now being used by development partners such as ADB to base their country assistance on;

• strengthening of Tuvalu’s Kakeega linked planning, prioritization and resourcing of the Education and Health Sectors, which resulted in AusAID and NZAID’s coordinated funding commitment for outcome focused programs of initiatives;

• NSDS-linked national action plan on disaster risk reduction in Vanuatu and RMI (in partnership with SOPAC and UNDP.

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 (see above under NSDS).

The SDP collaborated with the Political and Security Program on land as a source of conflict to develop a Forum project on land management and conflict minimization. Ten consultancies were issued, 7 of which were directly managed by the SDP.

**Pacific Plan Initiative 5.6 – Strengthening Environmental Financing**

Under this Initiative, the Secretariat represented Pacific interests in various international fora, including GEF Governing Council, Pacific Sub regional GEF meetings, and Micronesian Millennium Fund. SDP also liaised with UN agencies such as UNESCAP and UNDP. At the country level, the Secretariat collaborated with TNC and SPREP to commission a project on “Valuing and sustaining natural resources in the Pacific”.

**Policy Advice and Coordination**

SDP assisted New York based missions by providing timely and quality briefs on sustainable development issues, including energy, climate change. SDP continued to provide inputs into several different regional and international meetings, including:

• CSD 14

• UNDP-PSRC workshop on MDG

• UNFCCC COP

• GEF Governing Councils

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

The Enabling Mechanisms Unit coordinates and facilitates the delivery and implementation of several programmes and initiatives in support of its Member countries. These include Aid Effectiveness, Funding Assistance, Internships and Scholarships, the Smaller Island States Unit, the Pacific Regional Assistance to Nauru and the Regional and International Advisory Service.

Aid Effectiveness

One of the Enabling Mechanism Unit’s main functions is ensuring the effective delivery of development assistance to Forum Island Countries.

The Rome Declaration of 2003 and the Paris Declaration of 2005 both included Donor Harmonisation and Aid Effectiveness. Many of the Pacific island countries together with development partners have made significant progress in developing, improving and maintaining systems and mechanisms that ensure the delivery and receipt of effective development assistance.

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 2005. Key principles highlighted in this study were intended to enable effective planning and delivery of development assistance. Since then extensive work has been undertaken in refining the “Pacific Principles for Aid Effectiveness”. And at the PIC/Partners Meeting 2007 in Koror, Palau, a Final set of Principles were endorsed.

Related to the underlying themes of the “Pacific Principles for Aid Effectiveness”, case studies have been conducted to examine mechanisms and systems in place for aid management in FICs. Specifically, a case study has been completed for Nauru. Similar studies are underway for Fiji, Tuvalu and Vanuatu. Evaluation of aid management systems are expected to contribute to related work in Pacific aid effectiveness, particularly where development partners, such as UNDP, are providing capacity building support in this area. The Secretariat is working with UNDP to ensure that countries derive maximum benefit from support in the area of aid management.

In previous years, the annual PIC/Partners Meeting was held immediately after the Forum Economic Ministers Meeting, and had as a major agenda item discussion of the FEMM Action Plan, for avenues and assistance toward implementation. Following the PIC/Partners Meeting 2007 and the Post Forum Dialogue Review, Partners and Members were advised that future PIC/Partners meetings would be “stand alone”. This has provided the opportunity for consideration of Meeting Outcomes of other Pacific Islands Forum related Ministerial Meetings at PIC/Partners meetings. The PIC/Partners meetings will also consider the Pacific Plan and key priorities for the region emanating from the Pacific Islands Forum Leaders’ Communiques, and for discussion of possible means of assistance toward their implementation. Other major changes will also be made to the structure of the meeting agenda.

Beginning in 2006, the Unit commenced work on the compilation of Official
Development Assistance (ODA) statistics relevant to FICs available through various internet-based sources, most prominently the website of the Organisation for Economic Cooperation – Development Assistance Committee (OECD-DAC).

**Funding Assistance**

The Enabling Mechanisms Unit is also responsible for coordinating special funding assistance schemes. These include: Short Term Advisory Service (STAS); Legal Drafting Assistance (LDA); Industrial Training Development Project (ITDP); Small Island 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 (RNDF).

During the year, responsibility for the management of the MSF and ITDP schemes was handed over to the Economic Governance programme, while the Legal Drafting and the Regional Security Fund is now coordinated by the Political and Security Programme.

**Internships and Scholarships**

**Young Professionals Scheme**

The Young Professionals Scheme was introduced following recognition by the Region to advance the development of young Pacific Islanders’ policy skills and the need to address the problem of capacity building. This is to ensure there is capacity in the member countries for the effective implementation of the Pacific Plan.

The first group of five young professionals commenced their internships in early 2007 with the different programmes of the Secretariat, namely the Political and Security; Economic Governance, Sustainable Development and Good Governance Programmes.

The scheme supports the Pacific Plan initiative 15.4, which calls for the exchange and sharing of services and expertise for regional capacity building. This first placement of young professionals is a milestone achievement for the Secretariat under this programme. Additional internships are expected to be advertised in the new year.

**Taiwan/ROC-PIF Scholarship Scheme**

The Unit has been managing and administering the Taiwan/ROC-PIF Scholarship Scheme since its inception in 2000. Scholarships, offered annually to citizens of the Forum Island Countries, cover the full cost of tertiary studies at eligible institutions.

The priority fields of FICs are main criteria for selection of awards. Member countries are required to update their priority fields on a yearly basis. Priority fields of FICs cover a wide range of areas that include medicine, agriculture, law, education, commerce, tourism, engineering, resource management, computer science and information technology.

Since 2001, 124 scholarships have been under the scheme. Unfortunately, not all successful awards were taken up. The scheme is pleased to report that 58 awards have now been successfully completed by the end of 2007.

As at the beginning of 2007, the scheme reported 27 awardees under the scheme. The breakdown of awardees by country are as follows; Fiji 3, FSM 1, Kiribati 1, Nauru 1, Niue 1, Palau 1, RMI 2, Samoa 3, Solomon Islands 7, Tuvalu 4, and Vanuatu 3.

The awardees were at the USP Laucala Campus, USP Emalus Campus, USP Alafua Campus, the Fiji School of Medicine, the Fiji
Institute of Technology, the College of Micronesia and the University of Guam.

To date Taiwan/ROC has committed a total of USD 4.0 million towards the scholarship scheme – an initiative that has continued to be of benefit to the region.

**Smaller Island States**

The Smaller Island States Unit continues to play an integral role in facilitating and advancing the implementation of the Pacific Plan, and serving the needs of the Forum Smaller Island States (SIS). The SIS present far more severe challenges because of their inherent natural and geographical set up. This exerts pressure on the need to proactively and collectively think strategically in the choice of investment and resource allocation for the provision of regional or sub-regional goods and services; intuitively and innovatively explore feasible regional solutions to address their continuing and new emerging challenges, and favoring simple solutions, to prevent the further aggravation of their already severely strained capacities.

During the year the Unit focused its attention on advancing many of the activities that were initiated in 2006. These included advancing several studies to address some of the major challenges faced by these SIS. The studies included exploring the possible establishment of a feeder shipping service for Kiribati, Nauru and Tuvalu; the possible provision of a sub-regional airline service for the Federated States of Micronesia, Kiribati, Nauru, the Republic of the Marshall Islands, Solomon Islands and Tuvalu; examining possible solutions to combat emerging structural unemployment experienced by SIS through the introduction of a labour mobility initiative; examining the bulk purchasing of fuel and pharmaceuticals to combat rising prices of these essential commodities and exploring the feasibility of establishing a sub-regional financing facility to assist in the provision of sub-regional development finance. The inclusion of other non-SIS in any of the sub-regional initiative studies that is being pursued was done to achieve optimum clustering of FICs in the delivery of those sub-regional arrangements should they ever prove feasible. Another major activity was the delivery of national consultations on the Pacific Plan to increase awareness at the country level, and provide a forum to enable exchange of ideas on ways of ensuring that SIS continue to maximize their benefits from regional programmes.

**Transport**

Underdeveloped maritime transport systems has continued to be one of the major development constraints for some members of the SIS, in particular, Kiribati, Nauru and Tuvalu. In response to a request by the SIS Leaders, a study was commissioned to examine the feasibility of establishing a feeder shipping service for these three SIS countries. The findings of the study were discussed by their officials at a meeting that was held in Nadi in July 2007. The recommendations from that meeting were subsequently discussed at the Forum SIS Officials’ and Leaders’ meetings in Tonga. The SIS Leaders concluded that the option of Kiribati providing a feeder shipping service for Nauru and Tuvalu should be pursued. They further agreed that the Secretariat, in close collaboration with SPC, examine in detail the Micronesian Shipping Framework model for possible replication in the region given its potential in providing a long-term solution to the shipping problem.

With respect to the sub-regional Joint Air Service initiative, taskforce comprising of representatives from the Federated States of...
Micronesia, Kiribati, Nauru, the Republic of the Marshall Islands, Solomon Islands and Tuvalu was established following the Forum Leaders’ meeting in October 2006. This taskforce met twice since the Pacific Islands Forum in 2006. At its last meeting in July this year, they considered a cost benefit analysis of the proposed Joint Air Service Venture. The analysis assessed potential impacts of the joint venture and recommended that it would be to the benefit of countries concerned to consider a collaborative sub-regional approach in assessing initially their demand for air service, and then consider the type of aircraft that will satisfy that demand. Emphasis has shifted from focusing on an existing airline to determining first collaborative air service needs of the individual participating countries.

**Labour Mobility**

A study was also commissioned to look into the Labour mobility issue following a directive from the SIS Leaders at their 2006 Summit. The study found that labour markets in the FICs faced several structural skills challenges characterized by lack of skilled labour and abundant supply of unskilled and semi skilled labour. The study concluded that unrestrained mobility of people in the region provides a feasible solution in addressing that structural unemployment problem.

The introduction of the New Zealand Regional Seasonal Employers Scheme (RSE) has seen some progress made in this area. Kiribati and Tuvalu were among the first countries to be included as pilot countries under the scheme. Nauru has also entered into a similar arrangement. In addition to temporary employment worker schemes in Australia and New Zealand, the Secretariat has been examining “A Trade and Development Approach to Temporary Movement of Persons (Mode 4) in the context of EPA with the EU. The Secretariat organized a workshop on the issue in May. The workshop noted the significant positive economic contributions of temporary movement of labour in meeting national development objectives. It also highlighted a role for Governments in ensuring that they continue to gain benefits out of existing and potential future opportunities for excess skilled and semi-skilled labour supply through the labour mobility initiative. The Secretariat will continue to pursue this initiative and provide regular updates to Members.

**Bulk Purchasing of Fuel and Pharmaceuticals**

Further to the SIS Leaders’ decisions at their last summit in Nadi in 2006 and the Pacific Energy Ministers meeting in the Cook Islands in April of 2007, a number of essential phases have been identified to advance the implementation of the fuel bulk purchasing initiative. These included, the reprioritization of existing resources and identification of additional funding to advance the initiative; consultations with key stakeholders; identification and engagement of technical support and harmonisation of procurement systems and procedures. The SIS Leaders also endorsed the establishment of a Project Working Group to undertake direct consultations with relevant institutions and progress this initiative to fruition.

With respect to the progress on the bulk procurement of pharmaceuticals, a study was carried out by the World Health Organisation. Findings of that study were presented and discussed at the Chief Pharmacists workshop held in Tonga in August 2007. The study examined several options including the expansion of the current Fiji Purchasing Scheme;
the establishment of a new pooled procurement system and the creation of a hybrid mode drawn from the foregoing two options. The successful implementation of this initiative will continue to be determined by strong political will and commitment, the establishment of an autonomous secretariat to coordinate and manage the scheme, and the eventual harmonisation of procedures.

Development Financing

In July this year, a study was commissioned to explore the feasibility of establishing an alternative sub-regional development financing facility. The study is expected to assess the financing needs of the SIS, review existing available financing institutions in these countries and identify the potential role of setting up a sub-regional financing institution to support the development financing needs of SIS.

The study is expected to be completed in the first quarter of 2008.

Pacific Plan Consultation

A side meeting was organized for the SIS representatives during the PPAC meeting in February to consider possible means of advancing the implementation of the Pacific Plan at the country level. It was that the SIS unit should consider holding national consultations on the Pacific Plan in order to support the activities of the SIS desk officer and, increase awareness at the country level on the Pacific Plan and its intent. The consultations, which were conducted in the form of a workshop with participants drawn from both government and non-government organizations, were conducted in Tuvalu, Nauru, RMI, Kiribati and Niue during the year. These consultations were carried in close collaboration with the Pacific Plan office, through its Non-state actors’ officer. In addition, a recently implemented ADB project on Strengthening Regional Cooperation among Pacific Developing Member Countries (PDMCs), funded by ADB, and managed and coordinated by the Enabling Mechanism Unit, would see the continuation of the work started in the Pacific Plan consultations. But there will be an even deeper and expanded scope of exploring feasible processes for strengthening regional integration for all Forum Member countries.

In-country Desk Offices

The SIS unit became fully functional with the recruitment of SIS desk officers in Kiribati and Palau in 2007, the only two that were without a desk officer since the inception of the unit in 2006. In late 2007, the desk officer for RMI was left vacant after the holder of the position took up a position within the government. The vacancy will hopefully be filled next year.

The desk officers have continued to provide valuable support to the work of the Secretariat and the countries that are being served. They have continued to provide advisory service to governments and other stakeholders on available regional programmes, and facilitate requests from these respective countries to the Forum Secretariat and other regional organizations. They have also assisted in the successful delivery of field activities carried out either by the Secretariat or other regional organizations. And they continue to provide a useful link between the Secretariat and SIS.

Pacific Regional Assistance to Nauru [PRAN]

PRAN was developed following a directive from the Forum Leaders’ in 2004. It was designed to assist the Government of Nauru in its recovery efforts during its financial and economic crisis.
Under PRAN, the Secretariat supports Nauru in its recovery efforts in a range of areas including capacity building. The Secretariat in consultation with the Government of Nauru provides for a number of line positions to fill in gaps in the civil service that are critical to the recovery of Nauru.

The Government of Nauru identified several key positions that needed to be filled in 2007 by experts from the Region including:

- Secretary Foreign Affairs (funded under MOUIV Australia/Nauru funds)
- Planning Specialist (funded by Japan)
- Secretary for Justice (funded by NZAID)
- Resident Magistrate (funded by NZAID)
- Legal Officer (funded by NZAID)

**REGIONAL AND INTERNATIONAL ISSUES**

**Coordinate implementation of partnerships under Pacific Plan**

The Secretariat has provided continuous advocacy and a presentation on the Pacific Plan and its initiatives and Partnerships to the Commission on Sustainable Development (CSD) and Inter-Agency Task Force for the implementation of the Mauritius Strategy in New York in 2007. This has assisted to secure for the first time, the UN Secretary General’s recognition of sustainable development being measured in the Pacific by way of the Pacific Plan reports instead of through UNDESA on the basis of international strategies (Barbados Plan of Action and MSI). This makes a big difference for engagement of UN and other multilateral and bilateral partners.

Pacific Partnership presentations in the past were based on the implementation of the JPol and BPoA. They are now being directly advocated on the bases of pacific policy reflected in the Pacific Plan. The Pacific Plan is recognized at the UN level as the Pacific’s Regional interpretation of its priorities in the MSI and other international agreements. The Pacific Plan now also reflects language that embraces the MSI and BPoA that will make it more appealing to international partners including the UN and PFD partners.

Significant progress has been made with the elevation of Pacific Partnerships through using the Pacific Plan and its priorities and sectoral regional policies in Climate Change, Disaster Management, the GEF, Water, Energy and Conservation, in particular at the CSD.

Monitoring of Pacific Partnerships is being rolled into the Monitoring and Evaluation process of the Pacific Plan. This should help to streamline and reduce reporting. It should provide incentive based reporting and prioritization of issues in these sectors which are accountable to member countries through the PPAC as well as their sectoral stakeholders and focal points.

The Secretariat has provided advice on Pacific Partnership development in the region in particular to the Energy Working Group, Disaster Risk Reduction and Management Network/Partnership, Pacific Governance Network, UNDESA Inter-Agency Taskforce for the implementation of the MSI, ESCAP-POC, the GEF in the development of the GEF-PAS and IIED.

**Relations between the Forum and its Dialogue Partners**

There was a considerable increase in contact with Post Forum Dialogue Partners (PFD) partners in 2007 with the implementation of the new PFD process. Regular meetings and correspondence with partners enabled a successful PFD Plenary based on the Regions priorities. The strengthening of bilateral relationships with many
of the PFD partners has also been a part of implementing the new process. This has been successful this far with considerable satisfaction expressed by PFD partners during the PFD Plenary and through regular contact with them. All PFD partners were consulted individually and collectively on their own bilateral relationship with the Forum as well as the PFD Plenary and connected PIC Partners meeting.

Significant bilateral consultations with Partners in 2007 included:

- Midyear Consultation with France on the French-Oceania Summit (March 2007).
- PICL with the USA and associated donor partners meeting (May 2007).
- French Special Session during the Forum Leaders Meeting (October 2007).
- EU Special Dialogue during the Forum Leaders Meeting (October 2007).
- Consultations with India, Italy and the UK during the Forum (October 2007).
- Bilateral meetings with China, Indonesia, Thailand (October 2007).

As a result of efforts in this area, PFD partners are more aware of the priorities of the Pacific and issues which require their support in the international arena. Almost all of the Partners have pledged their support towards these positions in various international and multilateral mechanisms including (WTO, BWI, GEF, UN Security Council, UNGA, CSD etc).

The links between the new PFD process and the PIC Partners meeting that have been established will continue to be built upon.

All PFD partners expressed their happiness with the new Plenary approach and found it particularly helpful to hear what other partners had to say during the Plenary. In future PFD Plenary arrangements the Secretariat will endeavour to have more engagement from member countries in this dialogue to foster more of a two way discussion on issues.

**Relations between the Forum and other Regional organizations**

Two CROP Heads Meetings were held successfully in June and August 2007. A significant milestone this year has been the link between CROP Heads discussions and the priorities and policy advice that is discussed at PPAC, the Forum and PFD Plenary. This has resulted in a more transparent process of CROP engagement in the regions prioritisation processes. This mechanism will be built on and strengthened in 2008.

Continuous correspondence with most working groups and CROP agencies has taken place throughout the year in the preparation of briefs and reporting to the CROP Heads. Refinement of the working groups TOR’s was completed for the August CROP Heads. Re-establishment of the Land Resources Working Group was agreed to by CROP Heads in August 2007.

Streamlining of CROP working groups with Pacific Partnerships is a critical part of making the best use of existing mechanisms to forge ahead with relevant stakeholders. This will be built upon in 2008.

**Effective representation of the Forums interests at selected regional and international meetings**

Briefs were prepared and/or contributed to for the following international meetings:

- CSD 15 which focused on Energy and Climate Change from a Pacific Perspective as well as the special case for SIDS and the development of appropriate modalities of
on issues of importance to the region.

The Secretariat has a long standing relationship with the UNDESA SIDS Unit and UN Partnerships Office and continues to advocate the Pacific Plan and Partnerships as a means to implement the BPoA and MSI in the region. This is aimed at avoiding the development of parallel processes that are often driven by international multilateral mechanisms as tends to happen in some of the other SIDS regions.

**The Media Unit**

The Media Unit is responsible for dissemination of leaders’ decisions and the activities of the Forum Secretariat when implementing those decisions to member countries and other stakeholders, including the media.

The means for disseminating this information include: the Forum Secretariat website, www.forumsec.org, upgraded and relaunched early in the year; a quarterly publication, Niu Pasifika, with a focus on the Pacific Plan; a monthly radio programme, the Forum Report; press statements; and other promotional material. The Unit is also responsible for the publication of the Secretariat’s annual report.

During the year, the Unit organised two media workshops: the Forum Economic Ministers Meeting (FEMM) Media workshop in Koror, Palau in July, and the Forum Media Workshop at the Forum Leaders’ 38th Meeting in Tonga in October. Journalists from around the region attended the workshops to discuss pertinent issues around FEMM and the Forum Leaders’ meeting and covered the meetings themselves. The two workshops were coordinated together with the Pacific Islands News Association. For the first time the Secretariat employed two Pacific Islander media trainers to be consultants for the two media workshops.

The two media officers also attended the Pacific Islands News Association convention held in Honiara, Solomon Islands in May. The two officers took the opportunity to participate in various workshops held before the convention to disseminate information about the Forum and the Pacific Plan.
The Corporate Services team continues to provide the support, service and infrastructure necessary for the Forum Secretariat to pursue its goals. And at the same time the team is endeavouring to continually improve 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 teamwork.

The year has been one of consolidation. The revised performance and remuneration system is now in its third year. It is pleasing to note that it is having a positive impact on performance across the organisation, and providing more clarity for staff regarding what the organisation expects from them. The much tighter and more transparent link between performance and remuneration better rewards high performing staff and sends strong signals to those whose performance needs to be improved. An increase in the salary scales was approved by the Forum Officials Committee (FOC) in 2006 and implemented from 1 January 2007. This made up for some of the drop in take-home pay staff were experiencing as a result of the adverse SDR to Fiji dollar exchange rate. Inherent in the performance management process is the identification of training and development needs. The cost of investing in training is always a concern, and where possible in-house training is provided.

The HR and Administration Team have been updating their policies and procedures and will continue to do so to ensure our HR practices are well documented and readily available for access by staff. In an effort to stream-line our recruitment processes, a new electronic work-flow system has been developed – this is in its final development phase and will be operational early in 2008. The year saw HR initiating a record number of recruitment processes as well as convening panels to transparently review workplace practices and conduct.

The year has been a difficult one for the Finance Services Team. Difficulty in recruiting qualified accountants from the local market delayed the appointment of a new Team Leader who eventually started in February after 8 months vacancy. As a result of this difficulty there was a level of backlog that had to cleared, and thus the plans for streamlining in Financial Services were delayed. Good progress has been made, however, in strengthening internal controls and compliance with policy. A new payroll software was installed which has fully automated payroll processing and provides electronic payslips, and development of software for calculating travel per diems is in the final stages of completion.

The Library and Registry Team have been renamed “Information Services” to accurately reflect their role in the organisation. The Team is making excellent progress in the electronic library collection and digitisation of the records and archives. A new library system was implemented in April – one which combines the library and registry catalogues and indexes. Staff can now search the single catalogue from their desks. The depositary policy was updated to include management of the electronic collection and publication of material on the
website. A Records Management Policy (including the file retention index) has been written but requires the retention index to be completed before it can be finalised. The executive reading file has now been digitised and is circulated electronically.

The Information Services Team Leader resigned in late April for greener pastures overseas. The management functions are being shared by the two remaining permanent staff until a full review of the requirements can be completed. This arrangement is working well with two temporary staff employed to assist with the digitisation project, and enough time and resources for the team’s participation at three workshops in 2007. This was on recordkeeping, indexing and archives. The Information Services team support the strengthening of partnerships with CROP agencies and have become a member of the CROP Libraries Archives & Information Managers group. It continues to be an active member of the International Federation of Library Association, Pacific Branch of International Council on Archives, Fiji Libraries Association and the Records Management Association of Australia.

The Information Technology team continue to look for efficient ways of adding value to our business. During the year, the team added voice messaging to the new telephone system. They also added alternative paths to the internet which resulted in improved internet access. EventSentry - a monitoring software that helps us accurately identify faults and proactively work on them before they cause downtime with the aim to reduce downtime for users – was installed. The IT team wrote-off some of the old equipment making way for the replacement of half of our PC and laptop needs. Another notable achievement is the setting up and testing of telecommuting - this will allow users to be able to remotely access all of their work including shared drives in addition to email. They have also improved on the Antivirus pushing of updates which is absolutely essential at a time when virus threats are so enormous.

Property Services were busy in 2007 with maintenance on 80% of the staff houses on the compound and the removal of rotting trees that were putting our buildings at risk of serious damage. This resulted in some roof repairs, cleaning and landscaping in the office buildings concerned and major works and re-roofing and flooring in a section of the Malolo Bure. Costs were reduced significantly with the temporary employment of an in-house carpenter who has been completing the maintenance of floors and railing and other needed work around the offices.

In an effort, to more efficiently manage the buildings and grounds, an external review of the Property Services team was undertaken in the last quarter for possible implementation of outcomes in 2008.
Audited Accounts 2007
Financial Statements For The Year Ended 31 December 2007

Secretary General’s Statement

In my opinion, these financial statements have been properly prepared so as to show a true and fair view of the Secretariat’s activities for the year ended 31 December 2007, and the financial state of affairs as at that date.

Dated at Suva this 20th day of March 2008.

Greg Urwin
Secretary General
Independent Auditors’ Report To The Members Of Pacific Islands Forum Secretariat

Scope
We have audited the financial statements of Pacific Islands Forum Secretariat for the financial year ended 31 December 2007, consisting of the General Fund Income and Expenditure Statement, Trust Fund Income and Expenditure Statement, Reserve Fund Income and Expenditure Statement, the Balance Sheet, Statement of Changes in Funds, Statement of Cash Flows and accompanying notes set out on pages 9 to 33. The Secretariat is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Secretariat.

Our audit has been conducted in accordance with Fiji Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with International Financial Reporting Standards and the Secretariat’s Finance regulations so as to present a view which is consistent with our understanding of the Secretariat’s financial position and the results of its operations.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion
In our opinion:
(a) proper books of account have been kept by the Secretariat, so far as appears from our examination of those books; and
(b) the accompanying financial statements of the Secretariat, which have been prepared in accordance with International Financial Reporting Standards:
(i) are in agreement with the books of account;
(ii) to the best of our information and according to the explanations given to us:
(a) give a true and fair view of the state of affairs of the Secretariat as at 31 December 2007 and of the results and cash flows of the Secretariat for the year ended on that date; and
(b) give the information required by the Secretariat’s Finance regulation in the manner so required.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

Suva, Fiji Islands
20 March 2008

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Suva

KPMG
Chartered Accountants

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Fax: (679) 330 1312
Email: suvaoffice@kpmg.com.fj
### General Fund

#### Income And Expenditure Statement For The Year Ended 31 December 2007

<table>
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<th>2007 budget</th>
<th>2007 actual</th>
<th>2006 actual</th>
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<td></td>
<td>301,500</td>
</tr>
<tr>
<td>Doubtful Debts</td>
<td></td>
<td></td>
<td>33,244</td>
</tr>
<tr>
<td>Bad debts written off</td>
<td></td>
<td></td>
<td>1,891</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td></td>
<td>4,581,783</td>
<td>4,235,929</td>
</tr>
<tr>
<td><strong>Surplus of Income over Expenditure</strong></td>
<td></td>
<td>246,074</td>
<td>343,536</td>
</tr>
</tbody>
</table>

(For the notes, please refer to a copy of the Audited Accounts on the Forum’s website: www.forumsec.org)
## Trust Fund

### Income And Expenditure Statement For The Year Ended 31 December 2007

<table>
<thead>
<tr>
<th>Note</th>
<th>2007 Budget</th>
<th>2007 Actual</th>
<th>2006 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions Income</td>
<td>5</td>
<td>26,934,906</td>
<td>21,643,338</td>
</tr>
<tr>
<td>Benefits derived from property, plant and equipment</td>
<td></td>
<td>337,940</td>
<td>315,055</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td></td>
<td>26,934,906</td>
<td>21,981,278</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political and Security</td>
<td></td>
<td>4,130,955</td>
<td>3,384,315</td>
</tr>
<tr>
<td>Economic Governance</td>
<td></td>
<td>8,114,404</td>
<td>8,388,414</td>
</tr>
<tr>
<td>Special Projects</td>
<td></td>
<td>2,894,577</td>
<td>4,902,306</td>
</tr>
<tr>
<td>Policy Coordination and Advice</td>
<td></td>
<td>1,459,168</td>
<td>1,434,712</td>
</tr>
<tr>
<td>Stakeholder Coordination and Support</td>
<td></td>
<td>628,167</td>
<td>380,196</td>
</tr>
<tr>
<td>Enabling Mechanism</td>
<td></td>
<td>4,256,661</td>
<td>4,268,036</td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td>337,940</td>
</tr>
<tr>
<td>Doubtful Debts</td>
<td></td>
<td>-</td>
<td>(21,704)</td>
</tr>
<tr>
<td>Bad debts written off</td>
<td></td>
<td></td>
<td>12,006</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td></td>
<td>21,433,932</td>
<td>23,086,221</td>
</tr>
<tr>
<td><strong>(Deficit) / Surplus of Income over Expenditure</strong></td>
<td></td>
<td>5,450,974</td>
<td></td>
</tr>
</tbody>
</table>

(For the notes, please refer to a copy of the Audited Accounts on the Forum’s website: www.forumsec.org)
**Reserve Fund**

**Income And Expenditure Statement For The Year Ended 31 December 2007**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Earned</td>
<td>$5,123</td>
<td>$5,022</td>
</tr>
<tr>
<td><strong>Total Income Received</strong></td>
<td>$5,123</td>
<td>$5,022</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Surplus of Income over Expenditure</strong></td>
<td>$5,123</td>
<td>$5,022</td>
</tr>
</tbody>
</table>

(For the notes, please refer to a copy of the Audited Accounts on the Forum’s website: www.forumsec.org)
## Balance Sheet As At 31 December 2007

<table>
<thead>
<tr>
<th>Note</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### Current Assets

- **Cash at Bank**
  - 6 12,290,394 16,059,957
- **Inventories**
  - 7 23,187 13,075
- **Trade receivables – member countries**
  - 8 33,035 194,235
- **Other receivables and prepayments**
  - 9 349,692 544,248

  **Total Current Assets** 12,696,308 16,811,515

### Non-current Assets

- **Property, plant and equipment**
  - 10 8,508,646 8,836,595

  **Total Assets** 21,204,954 25,648,110

### Current Liabilities

- **Trade payables**
  - 11 975,219 1,128,714
- **Other payables**
  - 12 152,024 69,687
- **Contributions Received in Advance – General Fund**
  - 13 1,384,445
- **Contributions Received in Advance – Trust Fund**
  - 13 1,995,764

  **Total Current Liabilities** 1,127,243 4,578,610

### Net Assets

  **Net Assets** 20,077,711 21,069,500

### Accumulated and Reserve Funds

- **General Fund**
  - 3,602,600 3,259,064
- **Trust Fund**
  - 9,394,645 10,499,588
- **Reserve Fund**
  - 261,231 256,108
- **Capital Reserve**
  - 6,819,235 7,054,740

  **Total Accumulated and Reserve Funds** 20,077,711 21,069,500

### Commitments and Contingent Liabilities

- 14

Signed in accordance with a resolution of the Secretariat.

---

**Greg Urwin**  
Secretary General

**Stephanie Jones**  
Director Corporate Services

(For the notes, please refer to a copy of the Audited Accounts on the Forum’s website: www.forumsec.org)
### Statement of Changes in Funds

**For The Year Ended 31 December 2007**

<table>
<thead>
<tr>
<th>Fund</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the Beginning of the Year</td>
<td>3,259,064</td>
<td>1,957,764</td>
</tr>
<tr>
<td>Surplus of Income over Expenditure</td>
<td>343,536</td>
<td>1.3011</td>
</tr>
<tr>
<td>Balance at the End of the Year</td>
<td>3,602,600</td>
<td>3,259,064</td>
</tr>
<tr>
<td><strong>Trust Fund</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the Beginning of the Year</td>
<td>10,499,588</td>
<td>10,839,898</td>
</tr>
<tr>
<td>(Deficit) / Surplus of Income over Expenditure</td>
<td>(104,943)</td>
<td>(340,310)</td>
</tr>
<tr>
<td>Balance at the End of the Year</td>
<td>9,394,645</td>
<td>10,499,588</td>
</tr>
<tr>
<td><strong>Reserve Fund</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the Beginning of the Year</td>
<td>256,108</td>
<td>251,086</td>
</tr>
<tr>
<td>Surplus of Income over Expenditure</td>
<td>5,123</td>
<td>5,022</td>
</tr>
<tr>
<td>Balance at the End of the Year</td>
<td>261,231</td>
<td>256,108</td>
</tr>
<tr>
<td><strong>Capital Reserve</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the Beginning of the Year</td>
<td>7,054,740</td>
<td>7,354,728</td>
</tr>
<tr>
<td>Purchase of XB Assets</td>
<td>102,435</td>
<td>170,652</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>(337,940)</td>
<td>(315,055)</td>
</tr>
<tr>
<td>Disposal of assets</td>
<td></td>
<td>(155,585)</td>
</tr>
<tr>
<td>Balance at the End of the Year</td>
<td>6,819,235</td>
<td>7,054,740</td>
</tr>
</tbody>
</table>

(For the notes, please refer to a copy of the Audited Accounts on the Forum’s website: www.forumsec.org)
**Statement Of Cash Flows**

**For the Year Ended 31 December 2007**

<table>
<thead>
<tr>
<th>Note</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular budget contributions</td>
<td>2,279,734</td>
<td>3,462,902</td>
</tr>
<tr>
<td>Extra budget contributions</td>
<td>19,647,574</td>
<td>13,455,790</td>
</tr>
<tr>
<td>Programme and project costs</td>
<td>(22,340,851)</td>
<td>(16,797,634)</td>
</tr>
<tr>
<td>Other operational costs</td>
<td>(4,953,577)</td>
<td>(3,485,329)</td>
</tr>
<tr>
<td>Prepaid contributions</td>
<td>-</td>
<td>3,004,473</td>
</tr>
<tr>
<td>Interest received</td>
<td>872,785</td>
<td>513,609</td>
</tr>
<tr>
<td>Rent and other income</td>
<td>806,328</td>
<td>607,435</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>(3,688,007)</td>
<td>761,246</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>3,000</td>
<td>67,055</td>
</tr>
<tr>
<td>Payments for property, plant and equipment</td>
<td>(314,553)</td>
<td>(1,004,102)</td>
</tr>
<tr>
<td>Net cash outflow from investing activities</td>
<td>(311,553)</td>
<td>(937,047)</td>
</tr>
<tr>
<td>Effect of exchange rate changes</td>
<td>229,997</td>
<td>43,568</td>
</tr>
<tr>
<td>Net decrease in cash held</td>
<td>(3,769,563)</td>
<td>(132,233)</td>
</tr>
<tr>
<td>Cash at the beginning of the year</td>
<td>16,059,957</td>
<td>16,192,190</td>
</tr>
<tr>
<td>Cash at the end of the year</td>
<td>6</td>
<td>12,290,394</td>
</tr>
</tbody>
</table>

(For the notes, please refer to a copy of the Audited Accounts on the Forum’s website: www.forumsec.org)
Pacific Islands Forum countries

Australia
New Zealand
Fiji
Tonga
Vanuatu
Niue
Samoa
Cook Islands

Cayman Islands
Cyprus
Egypt
Fiji
France
Germany
Greenland
Guam
Guatemala
Haiti
Honduras
Hungary
Iceland
India
Indonesia
Iran
Iraq
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Kazakhstan
Kenya
Korea, South
Korea, North
Kyrgyzstan
Laos
Lebanon
Libya
Lithuania
Luxembourg
Macao
Macedonia
Malawi
Malaysia
Mali
Malta
Martinique
Mauritania
Mauritius
Mexico
Moldova
Monaco
Monaco
Montenegro
Morocco
Mozambique
Myanmar
Namibia
Nauru
Nepal
Netherlands
Netherlands Antilles
New Caledonia
New Zealand
Nicaragua
Nigeria
Niger
Norfolk Island
North Korea
Northern Mariana Islands
North Macedonia
North Korea
Norway
Oman
Pakistan
Palestine
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Poland
Port Cïlia
Portugal
Primeïle Islands
Puerto Rico
Qatar
Romania
Russia
Rwanda
Saïo
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Samoa
San Marino
Saudi Arabia
Senegal
Serbia
Seychelles
Sharjah
Singapore
Slovakia
Slovenia
Solomon Islands
Somalia
South Africa
South Korea
South Sudan
Spain
Sri Lanka
Sudan
Suriname
Sweden
Switzerland
Syria
Taiwan
Tajikistan
Tanzania
Thailand
Togo
Trinidad and Tobago
Tunisia
Turkey
Turkmenistan
Tuvalu
Uganda
Ukraine
United Arab Emirates
United Kingdom
United States
United States Minor Outlying Islands
United States Virgin Islands
Uruguay
Uzbekistan
Vanuatu
Venezuela
Vietnam
Western Sahara
Yemen
Zambia
Zimbabwe