Excelling together for the people of the Pacific
I am pleased to present this, my first annual report of the Pacific Islands Forum Secretariat, since my appointment as Secretary General by Forum Leaders at their meeting in Niue in August 2008 and, my assuming office on 13th October 2008. A great deal has happened since that time and despite the many challenges encountered, the Secretariat has continued to provide to Member States normal services, and as effectively as ever.

This is a report of many achievements. I pay tribute to the staff of the Secretariat for these results, as I pay tribute to those who have held office before me, the late Mr Gregory Urwin in particular, my immediate predecessor who passed away on 9th August 2008. With the investment of leadership and effort during Mr Urwin’s time, the Pacific Plan has now become the key regional framework that promotes and facilitates regional cooperation and integration.

As a servant of the region, my own mission is to prepare the Secretariat in the best traditions of public and regional service to deliver the vision of the Forum Leaders to seek a Pacific where its peoples can live free and worthwhile lives. For this to happen, we are all pledged to work for a region of peace, harmony, security and economic prosperity. That vision acknowledges coordinated regional efforts and behaviour, in a manner that allows us all to honour and treasure the diversity of the Pacific and to build on the strengths of diverse cultures and traditions. Central to all of this is the commitment to common standards of quality governance, the sustainable management of resources and above all the observance of democratic values and the promotion and defense of human rights.

Given the geographic spread and vulnerable characteristics of the region, it is clear that regional cooperation and integration has much to offer the Pacific, and I share the conviction that this must be the direction for the future. Strengthening of regional institutions and the deepening of cooperation and integration are absolutely essential. The Pacific Plan has become the entry point for dealing with all of these issues.

In the period covered by this report, the Pacific is being confronted by major global challenges including climate change, ocean pollution and depletion of marine resources, regional security issues and now, an unprecedented global financial crisis of the most worrying magnitude. While efforts are ongoing to determine more precisely the impacts and implications for the Pacific, we can be certain that none of the Forum countries will be spared. All will be impacted in some way. There is no question of the need to act now to respond to the crisis, to reform and strengthen systems and economies, and to be both innovative and pro-active in seeking solutions and, more particularly, to ensure no feasible opportunity is lost.

In this context, the environment in which the Secretariat operated in 2008 was especially challenging. Crowded as the year’s calendar always is, the Secretariat faced the additional demands of implementing its annual work programme against financial constraints, and also the
need to develop a new corporate plan to succeed the lapsed 2005 – 2007 Corporate Plan. The implementation of related corporate reforms aimed at institutional strengthening also had an impact on the operations of the Secretariat. I am pleased though that the package of corporate reform measures, including the new 2008 - 2012 Corporate Plan, was considered and adopted by the Forum Officials Committee (FOC) during the year under report.

The new Corporate Plan provides greater clarity for the future strategic directions and scope of the core business for the Secretariat. It also streamlines and rationalises the previous nine programmes into four more strategically focused programmes, namely, Economic Governance, Political Governance and Security, Strategic Partnerships and Coordination, and Corporate Services. The Corporate Plan is supported by strategic plans for each of the four programmes which identify the Pacific context and challenges facing the programmes and the programmes’ responses. A new budgeting and finance system was developed and implemented. This enabled the Secretariat to refine its budgeting processes and reporting mechanisms. The 2009 Budget and Work Programme approved by FOC was aligned to the new Corporate Plan and the supporting programme strategic plans.

In addition to the successful development and adoption of the corporate reforms in 2008, the Secretariat was able to make significant progress in implementing its work programme.

The Political Governance and Security Programme has managed...
activities to bolster regional security, expand law enforcement cooperation, address key causes of conflict and strengthen Pacific governance institutions.

A key focus in 2008 was to address the situation in Fiji in the wake of the December 2006 coup, given the failure of the Fiji Interim Government to return the country to democracy. There was a meeting of Forum Foreign Ministers and the convening of a Ministerial Contact Group on Fiji which visited Fiji twice to assess levels of government commitment and credibility of preparations for democratic elections by March 2009 as undertaken by the Fiji Interim Government and as agreed by Forum Leaders at their meeting in 2007. In another priority area, the Programme saw relations amongst the key stakeholders in the Regional Assistance Mission to the Solomon Islands (RAMSI) improved remarkably given low points in previous years, and this allowed significant progress to be made in the overall operation of the Mission.

As the Pacific region continues to face complex security challenges such as the threat of global terrorism and transnational organised crime, support to law enforcement agencies and other security sector organisations remains a high priority within the Programme. Initiatives such as the Forum Secretariat’s information management project, the criminal deportees project, small arms study, as well as work on strengthening the maritime security domain contributed to improving the regional security environment.

The Programme also played a major role in facilitating the annual Forum Leaders’ and related meetings and the range of summits and high level meetings between Leaders and key partners. In 2008, this included the Forum in Niue and the Inaugural European Union – Pacific Islands Forum Ministerial Troika meeting. The Programme was also active with a range of election observation activities in response to members’ requests.

The Economic Governance Programme during the reporting period continued to manage the regional trade agenda through support to Members for ongoing discussions and negotiations on: the Economic Partnership Agreement (EPA) with the European Union; efforts to implement the Pacific Island Countries Trade Agreement (PICTA) and its extension to include trade in services; the implementation of the Pacific Agreement on Closer Economic Relations (PACER) through the regional trade facilitation programme and engagement in PACER Plus discussions; engagement in multilateral trade issues, including the involvement of the region in the World Trade Organisation (WTO) and initiatives to develop a coordinated approach towards the delivery of aid for trade in the region.

Significant progress was also made in implementing the decisions of the Forum Economic Ministers’ Meeting (FEMM) which focused on continuing the momentum in advancing national economic reforms. Specific initiatives such as
the regional bulk procurement of petroleum products saw significant movement and achievement during the year culminating in the conclusion of a Pacific Petroleum Project Memorandum of Understanding (MOU) which is now available to interested Members for signature. Three countries signed the MOU at the FEMM in Vanuatu in 2008, and more member countries are expected to sign in early 2009. Ongoing support has also been provided to Members for the capacity building of the Private Sector to engage in trade and investment activities. The implementation of the Pacific Regional Digital Strategy also gained momentum in 2008.

The Strategic Partnerships and Coordination Programme is responsible for work on the implementation of the Pacific Plan and positive progress was achieved in the implementation of the Pacific Plan in 2008, in particular, in support of the Forum Leaders’ 2007 Vava’u Decisions on the Pacific Plan priorities. While progress varied there were achievements recorded in the areas of fisheries, labour mobility with the New Zealand “Recognised Seasonal Employers’ Scheme”, aviation, information communication and technology, strengthening of integrity and accountability institutions, and climate change. Work on aid coordination and enhancing effective delivery was also a key area of work for the Secretariat’s Programme. The special requirements of the Smaller Island States were the focus of the SIS Unit; and activities on social issues covered areas of education, gender and disability issues.

Despite the considerable pressures of the annual work programme and constraints on the budget for 2008, significant progress was achieved. I am confident that the package of corporate and related reforms adopted in 2008 will provide greater focus for the work of the Secretariat and improve its efficiency to deal with increasing demands.
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 the region’s premier political and economic policy organisation. Forum Leaders meet annually to develop collective responses to regional issues.

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 Asia Development Bank (2006), United Nations and the Western and Central Pacific Fisheries Commission with Timor Leste as Special Observer (2002).

The Forum has no formal rules governing its operations or the conduct of its meetings. The agenda is based on reports from the Secretariat and related regional organisations and committees, as well as other issues that members may wish to raise. 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 fourteen partners – Canada, People’s Republic of China, European Union, France, India, Indonesia, Italy, Japan, Republic of Korea, Malaysia, Philippines, Thailand, United Kingdom and the United States. A review of the Post Forum Dialogue
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 2008 of around FJ$32.5 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 (FSchM)
- Pacific Islands Forum Fisheries Agency (FFA)
- Pacific Islands Development Programme (PIDP)
- Pacific Power Association (PPA)
- Secretariat of the Pacific Community (SPC)
- Secretariat Pacific Islands Applied Geoscience Commission (SOPAC)
- South Pacific Board for Educational Assessment (SPBEA)
- Pacific Islands Forum Secretariat (PIFS)
- Secretariat of the Pacific Regional Environment Programme (SPREP)
- South-pacific.travel (formerly the South Pacific Tourism Organisation-SPTO)
- University of the South Pacific (USP)
It was with an enormous sense of regret and sorrow that the region mourned the passing of the late Secretary General, Mr Gregory Urwin on 9th August, 2008 after a long battle with cancer.

The late Mr Urwin was appointed by Forum Leaders at their meeting in Auckland, August 2003 and it was under his leadership that Forum Leaders adopted the Pacific Plan which has now become the key regional framework that promotes and facilitates regional cooperation and integration, and the development of coordinated collective approaches as responses to supporting regional developmental priorities and addressing associated challenges.

Mr Urwin had a distinguished career as a civil servant and diplomat for Australia and made outstanding contributions to regional cooperation and integration through his role as Secretary General of the Pacific Island Forum Secretariat.

During their meeting in Niue, 19 – 20 August, Forum Leaders expressed their profound sorrow at his untimely passing away. They acknowledged his commitment and outstanding contribution to the political, economic and social development of the Pacific region.

The Forum Leaders also acknowledged his strong leadership as Secretary General - leadership that led to many major achievements, including the firm establishment of the Pacific Plan as the platform for ongoing, strengthened regional cooperation and integration for the benefit of the people of the Pacific and his role in enhancing the international standing of the Forum.
The Leaders noted that Mr Urwin was a strong advocate for the Pacific and his passing represented a great loss. His significant service to the Pacific Islands Forum would be remembered by all who had the privilege of working with him.

At the Leaders’ meeting in Niue the Prime Minister of Australia Hon. Kevin Rudd, MP announced his Government’s intention to fund the establishment, through the Forum, of five Annual Leadership Awards, to be awarded by the Forum, its Chair and the Secretariat, in the name of Greg Urwin. The Solomon Islands Prime Minister, Hon. Dr Derek Sikua also announced to Leaders his Government’s intention to posthumously award the Cross of Solomon Islands to Mr Urwin in recognition of his outstanding contribution to the Regional Assistance Mission to Solomon Islands (RAMSI).

Greg Urwin was buried during a funeral service held in Apia on 14th August and a memorial service was organised by PIFS in Suva on 27th August 2008. He is survived by his wife Penny and three children and six grandchildren.
Political Governance & Security Programme
The Political and Security Programme, in consultation with members, identifies challenges to the stability and safety of members and the region, and provides policy advice and technical assistance (both coordination and selective direct assistance) to respond to the challenges. Integral to the Programme’s response is the promotion of the principles and practices of good governance across all levels and sectors in the region; and the pursuit of strengthened regional cooperation and integration.

**Security**

**Forum Regional Security Committee**

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

**Security - Law Enforcement**

The Pacific region has a complex security environment. In order to address challenges such as the global threat of terrorism and transnational organised crime, support to law enforcement agencies and organisations as well as government ministries engaged in enhancing security in the region remains a high priority within the Programme.

Initiatives such as the Forum Secretariat information management project, the criminal deportees project, small arms study, as well as work on strengthening the maritime security domain contribute to improving regional security.

The information management project encompasses the development of national and regional information management and data collection models as well as consideration of the establishment of more formal arrangements to support the international exchange and subsequent handling of law enforcement-related information.

The issue of criminal deportees was initially highlighted as an emerging law enforcement threat at the 2007 Forum Regional Security Committee (FRSC) meeting. Research and analysis of this issue has highlighted a broader regional issue with respect to youth offending rather than a specific deportee related problem, which requires further support.

Small arms and light weapons are posing an increasing regional security issue. Small arms and light weapons whether stolen or otherwise obtained from security force armouries have featured prominently in the Pacific’s most recent conflicts. While these weapons have been supplemented by home-made firearms and small scale trafficking, the majority of the weapons to date have been obtained due to the lack of adequate control and stock-take of legitimate stocks of weapons in Pacific Island communities. The Programme is working to help address these issues.

Pacific Maritime Security is also of increasing importance. Pacific Island countries share a comprehensive view on maritime security which involves consideration of economic, resource and environmental security as well as public health and social well-being. The most significant challenge is obtaining the resources required to respond to maritime threats while also ensuring the protection of sovereignty and sovereign rights. This has been, and continues to be, a significant factor for the Forum Secretariat when assisting in the establishment of multi-lateral frameworks for maritime security.

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 redesigned 2008 Assessment reflected improvements with new data which enabled a basic strategic analysis. Future strategic assessments will benefit from the augmentation of collection, storage and analytical processes.

**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.

**Legal Drafting**

Legislative drafting capacity within Pacific Island Countries is a critically important infrastructure and is being
supported by the Programme. The Programme continues to work with the Commonwealth Secretariat, University of the South Pacific (USP) Law School and Attorneys General from Member Countries to build sustainable legislative drafting capacity in the region. This includes addressing issues of recruitment, training, and support and retention of Pacific islands legislative drafters. Specific activities included a Legislative Drafting course, the Pacific Law Drafters’ Technical Forum, pairing and twining arrangements between Pacific Island Countries Law Drafting Offices and Australian and New Zealand Law Drafting Offices; and the development of digitised templates and a Pacific Law Drafters’ website.

**Assistance with Honiara and Nasonini Declarations legislation**

During the year, the revised Model Law on Counter Terrorism and Transnational Organised Crime was completed to capture the legislative obligations under all the UN Counter Terrorism Instruments, the Transnational Organised Crime Convention and the Protocols to the Convention. Drafting assistance was also provided to a number of Forum Island Countries to adapt the model law. In addition, assistance was provided to Forum Island Countries to adapt the updated model legislation on Extradition, Mutual Legal Cooperation and Proceeds of Crime.

Another major achievement in this area was the completion of the Regional Model Law on Customs, in collaboration with the Oceania Customs Organisation.

**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 peace building capacities continued. This included further work on the development of a three-year (2009-2011) Human Security Framework for Conflict Prevention. The Framework will focus on three elements; addressing causes of conflict; monitoring conflict escalation; and strengthening conflict resolution mechanisms.

Human Security and Conflict Prevention case studies in the Federated States of Micronesia, Kiribati, Samoa, and Vanuatu (literature reviews and scoping missions to each country) were initiated. The case studies were aimed
at strengthening the monitoring of, and response to, conflict escalation at national and regional levels.

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 2008 FRSC meeting, with another one planned for 2009.

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 Secretariat continues to work with Fiji and other Forum members to support and encourage an early return to parliamentary democracy in Fiji, primarily through the Ministerial Contact Group on Fiji and the Forum-Fiji Joint Working Group on the situation in Fiji. The Ministerial Contact Group (MCG), consisting of Ministers from six Forum member countries, was established by Forum Foreign Ministers at their third meeting on the Fiji situation in Auckland in March 2008, to monitor the situation in Fiji and report to Forum Leaders. During 2008 the MCG has visited Fiji twice to hold discussions with the Interim Government and other stakeholders. Meanwhile, after a brief hiatus in mid-2008 the Forum-Fiji Joint Working Group has recommenced meeting regularly, providing a platform for more continuous, frank and constructive dialogue between senior officials from Fiji and diplomatic representatives of other Forum members, on developments in Fiji and ways the Forum may further assist the speedy return to democracy. At the Forum Leaders’ Meeting in Niue in August 2008, Leaders expressed serious concern about the failure of the Interim Government to expedite the return to parliamentary democracy by March 2009 as previously promised, and will meet in January 2009 to consider further measures the Forum should take 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. Compared to 2007, relations between the Regional Assistance Mission to Solomon Islands, the Solomon Islands Government and the Forum were more cordial in 2008. This reflects the strong and enduring partnerships developed between Solomon Islands parliamentarians, officials, the Solomon Islands people, RAMSI’s principals and Forum members since RAMSI’s inception.

The Forum was pleased to learn that the new Solomon Islands Government had decided to approve the 2007 RAMSI Review Task Force report endorsed by Leaders in Tonga in 2007. Further to this decision, two meetings of the Forum Ministerial Standing Committee Meeting comprising Foreign Ministers from Australia, Niue, Papua New Guinea, Solomon Islands and Tonga were held in Honiara. Ministers have endorsed the development of a partnership framework between the Solomon Islands Government and RAMSI which will among other things set the strategic direction of RAMSI in coming years and develop jointly agreed conditions based and indicative timelines for RAMSI’s phasing down across sectors.

The efforts of the Forum Representative to Solomon Islands continued to strengthen 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.

Land Management and Conflict Minimisation project

Another area directly relevant to Conflict Prevention is land ownership, a singularly sensitive and charged cultural issue with land based resource management being at the core of many disputes and conflicts in the region. Phase 1 of the Land Management and Conflict Minimisation Project, comprising desk and country case studies, was completed in 2008 with Leaders adopting principles and a guiding framework for effective land management and conflict minimisation in the region. Phase 2 of the Project is being implemented in collaboration with the Secretariat of the Pacific Community with an initial focus on land-related information and consultation processes.
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. Activities in the last twelve months have included participation in in-country consultations in Niue and Palau in partnership with the New Zealand Human Rights Commission. These consultations have proved invaluable in raising awareness of human rights realities in each country, and providing opportunities for the Secretariat and the New Zealand Human Rights Commission to flag human rights as a topic of relevance, including for discussion and further dialogue. Preliminary work has begun on the conceptualisation of a regional human rights mechanism with the aim of including it as a Pacific Plan initiative. Arrangements for the establishment of a Human Rights Adviser position were progressed in 2008 with an appointment expected in early 2009. This position is expected to consolidate and elevate human rights work in the region.

Assistance continues to be available to Forum Island Countries interested in adopting leadership codes with assistance being provided in 2008 to one Forum Island Country. 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. On the important issue of anti-corruption, the Secretariat has been working in partnership with the UNDP Pacific Centre to develop a programme of regional action, which will bear fruit in early 2009 with the commencement of sub-regional workshops on the UN Convention Against Corruption, national anti-corruption planning and regional cooperation.

Election Observation

The Forum continues to respond positively to requests from members to provide independent regional observation and reporting on their elections. The Forum’s election observation activities are welcomed by member countries as contributing to their shared commitment to peaceful and democratic governance in accordance with the Biketawa Declaration, as well as their individual efforts to strengthen the integrity of their electoral processes.

In early 2008 the Forum completed its observation of the November 2007 election process in the Republic of the Marshall Islands (RMI), with a return visit to Majuro by one observer and the subsequent completion of the team’s report. The Forum responded at short notice to a request from the Government of Nauru to observe its “snap” election in April 2008, with a sub-group of the team which observed Nauru’s 2007 election returning to monitor the 2008 poll. The Programme is now working with Nauru, at its request, to identify and seek the technical assistance necessary to implement the recommendations of the election observers’ reports.

Regional Cooperation in the Legal Sector

The Programme has continued to support efforts to enhance regional cooperation in the legal sector, including in cooperation with the Pacific Islands Law Officers’ Network (PILON). The Programme has also continued its work to promote regional legal infrastructure development through the Pacific Plan, and hopes to secure funding to allow this work to progress further in 2009.

In addition, Programme’s legal staff has provided expert support for other regional initiatives under the Pacific Plan, such as assisting the Economic Governance Programme develop legal arrangements for the Pacific Petroleum Project and the Regional Audit Initiative; working with the Governance and gender team on the electoral and legal aspects of exploring special measures to increase women’s representation in parliament; and assisting with the negotiation of the Forum and Forum-EU declarations on climate change.

Nuclear Issues

The Programme continues to assist members in their collective activity on nuclear issues as they affect the region. With regard to nuclear shipments, contact was maintained in 2008 with the shipping states at the senior political level, as well as facilitation of a working-level meeting between Forum member officials and representatives of the shipping companies. The Programme 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

Leaders’ Summits

The Programme plays a major role in facilitating annual Forum Leaders’ and related meetings and the range of Summits and high level meetings between Leaders and key partners. In 2008, this included the Forum in Niue and the Inaugural European Union – Pacific Islands Forum Ministerial Troika meeting.

Associate Members and Observers

Following a request from the authorities of Wallis and Futuna that the (observer) territory graduate to associate membership of the Forum, the Programme undertook a visit to Wallis and Futuna in mid-2008 to discuss relevant issues with various stakeholders, and report to the Forum Officials’ Committee and Forum Leaders. While Leaders decided not to approve associate membership for Wallis and Futuna at this time, valuable insight was gained into the challenges and interests the territory shares with other Forum members – particularly the smaller island states – and a platform has been established for enhancing Wallis and Futuna’s engagement with the Forum as an observer, pending future review of the associate membership issue.

Treaty Depository 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 2008 the Programme 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
Good Governance

The good governance pillar of the Pacific Plan seeks to achieve the objective of improving transparency, accountability, equity and efficiency in the management of and use of resources in the Pacific through the implementation of nine (9) initiatives, the latest addition being the initiative on deepening of regional cooperation between key actors in the legal sector in the region.

Building on the ongoing good governance agenda of the Forum as a regional priority, the Secretariat and its partners achieved the following in 2008.

Regional ombudsman initiative

The regional ombudsman initiative is among the “package” of four governance initiatives which have a direct bearing on the success of the Pacific Plan. The others are a regional economic and technical assistance facility, a regional capacity to assist officials in Forum Island countries in collecting revenue and the regional audit support. It was envisaged that if these initiatives were implemented as a first-step confidence building measure, their success could provide the necessary momentum for the longer term vision of the Pacific Plan.

The output on this initiative is the Pacific Ombudsman Alliance (POA) which was established on 29 September 2008. Its intent is to provide a service delivery and mutual support organisation for Ombudsman and allied institutions that are members of the Pacific Islands Forum. The Alliance does not have any legal powers in relation to Ombudsman activities in the region. At its inaugural meeting, a charter which provides the governance framework for the operation of the Alliance comprising membership, Board and Secretariat was endorsed. Its principles are integrity, accountability, simplicity, flexibility, respect and sustainability. The Alliance has seven objects:

• Strengthen cooperation within the community of Pacific Ombudsman and allied institutions;
• Foster integrity in the delivery of government services, by supporting the creation and maintenance of strong ombudsman and allied institutions;
• Develop culturally appropriate resources and training support to address common issues faced by the Pacific Ombudsman community;
• Provide mutual support to help members meet their obligations and responsibilities and improve their service delivery and effectiveness;
• Support the development of legislation and programs that recognise the right of citizens to transparent and accountable government services through effective complaints and oversight mechanisms;
• Enable the national ombudsman institutions of the Pacific Islands Forum nations to provide a common or consistent approach in dealings with international ombudsman bodies;
• Foster and promote the work of ombudsman and allied institutions throughout the Pacific.

PIFS is charged with implementing the Non-Ombudsman Small Island States Working Group (NOSISWG) and will explore sub-regional initiatives for ombudsman functions, exploring the political commitments to sub-regional initiatives, examining the feasibility of sub-regional initiatives, including political and economic viability. The next POA meeting is on 16 March 2009 in Rarotonga, Cook Islands. PIFS
will present the work program at this meeting for the NOSISWG.

**Anti-corruption institutions**

Work on getting FICs to ratify the UN Convention against Corruption (UN-CAC) stalled in 2008. It was anticipated that once approval was obtained from the Government of Papua New Guinea in 2008, that a sub-regional workshop for Melanesian states would be convened in Port Moresby after an unsuccessful attempt in 2007. The sub-regional workshop is tentatively scheduled to be held on 24-26 March 2009. International organizations like UNODC, ADB-OECD and others are expected to attend this workshop.

**Forum Principles of Good Leadership**

Research on the Forum Principles of Good Leadership did not take place in 2008 due to an extensive focus on ensuring that the processes for engaging the consultants was thoroughly exhausted and negotiations with the consultant to ensure that all the requirements for this exercise was met. This research will be consulted early 2009 and is expected to be completed in May 2009.

**Initiatives on freedom of information and information disclosure policies for selected FICs**

The Secretariat, in partnership with the UNDP Pacific Centre held the Regional Freedom of Information (FOI) Workshop for Pacific Policy Makers in Honiara, Solomon Islands from 30 June to 2 July 2008. The purpose of the workshop was to introduce policy makers and senior officials from the Pacific to the value of freedom of information as an important tool for strengthening and enhancing good governance in national governance and the Pacific region.

Overall, the workshop was a tremendous success for the Secretariat. First, this is the first regional workshop on FOI, a milestone identified for implementation under the good governance pillar of the Pacific Plan which has finally been taken forward. Second, and as a result of the workshop, the Secretariat is now in a better position to determine how best to take this activity forward in consultation with the participants. Third and related to the second point is the interest the Secretariat has generated on FOI in the region and the level of support out there amongst other development partners to take this forward.

Other national consultations, aside from the Solomon Islands, are planned for Nauru, Vanuatu, Palau and Tonga in 2009. Collaborators include the Commonwealth Human Rights Initiative, RRRT, and Ombudsman offices in New Zealand and Australia.

**Participation of Women in Decision Making**

The Secretariat together with UNIFEM Pacific, the Secretariat of the Pacific Community, the UNDP Pacific Centre, the International Development Law Organisation, AusAID (Pacific Leadership Program), the Inter-Parliamentary Union (IPU) with the assistance of PNG Sustainable Development Program Limited (PNGSDP) in partnership with the PNG Department of Community Development convened the Sub-Regional Workshop on Special Measures for Women in Port Moresby, PNG on the 25 and 26 September 2008.

The workshop which brought together participants from Papua New Guinea, the Solomon Islands, Vanuatu and Fiji falls under the good governance pillar of the Pacific Plan, specifically, Initiative 12.6 on participatory democracy, consultative decision making and electoral processes. The workshop followed-up on implementing one of the Outcomes of the Rarotonga Workshop of 2006 wherein it was agreed that the Secretariat organise sub-regional workshops on special temporary measures in the region. The workshop is also consistent with the 2007 decision of Forum Leaders to explore ways for women participation in decision-making structures, in particular, legislatures. While the long term objective of the workshop is to increase and sustain the number of women in Pacific parliaments, this workshop enabled participants from Melanesian members to discuss their different electoral systems vis-à-vis women’s participation in elections and map out ways for more women to become legislators after a full appreciation of the different special measures. Similar workshops are been planned for the Polynesian sub-region tentatively in Tonga and for the Micronesian sub-region (yet to be decided) and subject to partners’ support.

**The Pacific Leadership Program**

The Pacific Leadership program is now established (the MoU between the Government of Australia and the
Forum Secretariat for the Granting of Funds 2006-08 and settled in the Secretariat compound. Its operations and management of program activities are capably overseen by a Regional Program Director and a Regional Program Manager with a strong secretariat support.

The Advisory Panel of eminent Pacific Islanders has been established and positioned to provide strategic direction. Also established is the Research Steering Committee. Inaugural meetings of these bodies were held in Brisbane in 2008. The next Advisory Panel Meeting is planned for April 2009 whereas the Research Steering Committee convened its second meeting in late 2008.

**Partnership with the Commonwealth Local Government Forum Pacific Project**

Forum Leaders appreciated the value that partnerships can bring in delivering the initiatives in the Pacific Plan. This is clearly articulated in the Pacific Plan where Leaders “seek partnerships with neighbours and beyond to develop our knowledge, to improve our communications and to ensure a sustainable economic existence for all”.

It was in this spirit that the Pacific Islands Forum Secretariat sought to formalise its partnership through a Memorandum of Understanding with the Commonwealth Local Government Forum (CLGF). This MoU amongst others should continue to expand the range and depth of the Forum Secretariat’s partnership. Our partnership with the CLGF also promotes the regionalism which the Forum seeks by linking with like-minded regional organisations. The Secretariat’s representation at this meeting in Apia, Samoa on 25-31 October 2008, for the first time marked the formal and official relationship between these two organisations, cementing further the ongoing activities and partnerships entered into by these organisations before the MoU.

**Pacific Governance Network (PGN)**

About 20 representatives from several regional organisations (UNESCAP, Commonwealth Local Government Forum Pacific Project, SOPAC, ICUN, UNIFEM, UNDP Pacific Centre, the Pacific Parliamentary Assembly on Population and Development and the Forum Presiding Officers and Clerks Conference, PIANGO, University of the South Pacific and the Pacific Islands Forum Secretariat and others) gathered at the University of the South Pacific, Laucala Campus for the second Pacific Governance Network Meeting, 1 – 2 December 2008 to:

a) learn the essential features of governance activities being undertaken by diverse agencies and institutions;

b) make connections; and,

c) help to clarify the Pacific Governance Network’s (PGN) agreed directions, methods of operation, and activity areas for the coming year.

Themes for the Network included review of governance networks, governing Pacific economies and finance, multilevel governance, democracy and the rule of law, perspectives from the civil society, peace and security, and development.

As it is, the PGN is the only regional Type II Network arising out of the World Summit on Sustainable Development now in its second year of existence. Unanimous endorsement was received from participants for the Secretariat and USP to continue convening the PGN. To strengthen its effectiveness, the support of a low cost secretariat support, subject to funding will be essential. The secretariat support will help to manage the Pacific Islands Governance Portal and Digital Library, manage links, schedule meeting dates, and compile Pacific Agreements, Development Plans, key official documents; and network member work programs. A periodic newsletter and arrangements of periodic thematic meeting are some of the small things to be handled in 2009.

In 2009, the PGN plans to hold two meetings under the proposed themes as endorsed by the participants and members of the Network. Since the former Pacific Institute of Advanced Studies in Development and Governance has now been abolished, the RGA will be working closely with senior academics from the USP’s Faculty of Business and Economics on this activity.
Economic Governance Programme
The Economic Governance Programme strove to deliver its core function and mandate by extending and coordinating policy advice and technical assistance in support of economic growth and sustainable development. In recognition of the limited national capacities and an increasingly complex international environment, the Programme strove to assist Members in the development of appropriate national, sub-regional and regional interventions through quality policy and technical advice, research and various forms of assistance.

Good economic governance ensures the sound management of a country’s resources. In the Pacific, where limited 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 twelfth Forum Economic Ministers’ Meeting (FEMM) was held in Port Vila, Republic of Vanuatu, in October 2008, with discussions centred on the overarching theme of food and energy security given the adverse impacts of high global food and energy prices on FIC economies during the year. These impacts have resulted in adverse inflationary effects and internal downward pressure on real incomes, as well as putting significant pressure on balance of payments. In this context, Ministers noted the immediate, short term, responses by FICs during the year, which had been generally well targeted to alleviate poverty, and were encouraged by the general avoidance of measures that would have resulted in inefficient spending. The recent decline in food and fuel prices has vindicated these decisions, and most FICs have avoided the subsequent need for difficult readjustments.

FEMM acknowledged the need to maintain the momentum on national reforms and noted FICs’ plans for reviving their agriculture sectors, as well as pursuing alternative energy options and energy efficient initiatives. Ministers noted the types of assistance that donor agencies can provide to support national initiatives, and encouraged development partners to strengthen their cooperation on national and regional petroleum policies.

At the meeting, three countries – Tuvalu, Nauru and Cook Islands were able to sign the Memorandum of Understanding (MOU) establishing the Pacific Petroleum Project, which provides for regional negotiating machinery through which Signatories of the MOU work together to negotiate common terms and conditions for the procurement of petroleum in bulk. FEMM called on the Secretariat and World Bank to assist in progressing work on this area as a matter of urgency, and requested the Pacific Energy Ministers to consider work undertaken to date, and to prepare an update of progress to Forum Leaders in 2009 on the package of measures.
FEMM also noted the very serious negative impact that the global economic crisis will have on regional growth prospects. While FIC banking systems have successfully weathered the most immediate effects of the financial crisis, the region is far from immune from the effects of the unfolding global economic crisis. Ministers noted that likely impacts on FICs include adverse impact on trust funds, and superannuation schemes; adverse impacts on export prices for commodities; difficulty in accessing capital; and pass through effects on the economy from the expected slowdown in tourism and decline in remittances.

Ministers also noted some possible mitigation measures, which include, consolidating fiscal positions, easing monetary policy (where appropriate), and reinvigorating structural reform.

FEMM also considered updates on regional approaches in a number of key areas, including public auditing and economic regulation, and noted that significant progress had been made in these two areas.

**Pacific Regional Audit Initiative (PRAI)**

FEMM considered an update on the Pacific Regional Audit Initiative (PRAI), which is a Pacific Plan initiative that has the support of the Pacific Association of Supreme Audit Institutions (PASAI) and has been endorsed by Forum Leaders at their meeting in August in Niue. The overarching objective of PRAI is to raise public auditing to uniformly high standards, which in turn is expected to improve transparency and accountability in managing public resources.

Ministers also noted the outputs of the PRAI program period (2008 – 2012), with the initial emphasis on strengthening the PASAI Secretariat. The Secretariat will be responsible for setting up the sub-regional audit support programme for Kiribati, Nauru and Tuvalu; developing a long-term structured capacity-development programme; and initiating cooperative performance audits.

**Regional Regulatory Stepladder**

FEMM also noted the outcomes of the regional workshop on Economic Regulation held in late August 2008, and in particular, endorsed the Regional Regulatory Stepladder that was agreed to at the workshop and, which includes specific activities and actions that need to be taken at the national and regional levels in order to improve regulation through regional cooperation.

FEMM noted that establishing pre-conditions at the national level to support regional initiatives requires urgent attention in the short term. These pre-conditions include the formulation of common rules or legislations and a mutually supportive policy framework. In this context, Ministers directed the Secretariat to collaborate with other CROP agencies and relevant development partners to develop a model regulatory and policy
framework, and seek support for its implementation.

FEMM also noted the possibility of setting up a regional regulator for one priority sector over the medium term, and that the Smaller Islands States (SIS) have identified regional shipping, ICT and utilities as priority sectors. Ministers directed the Secretariat to also liaise with non-SIS FICs to identify priority sectors, and agreed that the Secretariat would, depending on progress with the establishment of pre-conditions outlined, put forward to FEMM options to strengthen regional regulatory arrangements.

Infrastructure Development:

Aviation

The Pacific Islands Air Services Agreement (PIASA) now has the requisite number of signatures for it to be in force. The challenge, in a period of dramatic fuel price fluctuations and global economic crisis will be to develop a formulae to exploit the willingness of countries to relax their barriers to open skies.

Transport

Shipping, a lifeline in the Pacific, particularly the smaller island states and domestic has suffered from neglect of investments over decades. Increasing priority attached to infrastructure investment though major donors holds promise that improved services can be expected. The Secretariat along with SPC has been mandated by leaders to provide support to the development of smaller islands shipping capacity in particular.

Information and Communication Technology

The Digital Strategy is being vigorously pursued by many agencies under the guidance of the Forum Secretariat and is focused on policy and regulatory reform through CROP agencies assisted by UNDP, connectivity through the AUSAID funded PACRICS satellite project in SPC, the SPIN and derivative projects in cables, e-government with the assistance of South Korea, Distance education with the assistance of the OLPC project and various pipeline projects with the assistance of EU and World Bank.

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 2008, six FICs namely Cook Islands, Fiji, Niue, Samoa, Solomon Islands and Vanuatu were ready or had commenced trading under the Agreement. Five FICs - Kiribati, Nauru, PNG, Tonga and Tuvalu 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. The Federated States of Micronesia have signed the Agreement and are at the ratification process while Palau and the Republic of the Marshall Islands are yet to accede to PICTA. In August this year, the Forum Leaders agreed that those Governments yet to do so would complete their domestic legislation and would announce their readiness.
to trade under PICTA before January 2009. Leaders directed the Secretariat to work closely with the Governments concerned to develop individual action plans to ensure that all FICs that have ratified PICTA will be trading by 2009. This decision was also supported by the Pacific ACP Trade Ministers Meeting in October 2008. Since these decisions, the Secretariat had been working closely with FIC governments to develop individual action plans.

At this stage, PICTA provides for trade in goods only. Under the provisions pertaining to tariff reductions in goods, FSM, Fiji, PNG and Tonga are expected to commence tariff reductions from 2007 while 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, and Rules of Origin (ROO) training. The aim is to have all PICTA parties complete their notification requirements to facilitate the tariff reductions. PICTA ROO training has been targeted at national and regional level in an effort to build a pool of ROO resource trainers at the national level.

Work on the extension of PICTA to cover trade in services, inclusive of temporary movement of labour continued in 2008. Given the FIC Trade Ministers’ desire for Trade officials to conclude a PICTA trade in services agreement by 2008, a draft trade in service agreement as an extension to PICTA was prepared aligned to Ministerial decisions followed by a regional pre-negotiation session in February 2008. The objective of the meeting was to prepare Members for the negotiations, which was launched in March 2008 followed by the first round of negotiations. Capacity building workshop in support of trade in services liberalisation was organized in June 2008. The second round of negotiations was held in July 2008 where Members further deliberated on the legal text.

Economic integration with close neighbours and with other compatible partner economies has the potential to assist economies prepare for the larger step of opening to global competition.
and tabled indicative trade in services and temporary movement of natural persons requests and offers. Given the extent of preparatory work involved prior to the FICs agreeing on a potential trade in services agreement among them, the FICs acknowledged the need for additional time in concluding the PICTA trade in services agreement. Negotiations will continue in 2009.

**Pacific Agreement on Closer Economic Relations (PACER)**

One of the key initiatives under the PACER is the 5-year Regional Trade Facilitation Programme (RTFP) which began in 2005 aimed at strengthening the FICs’ capacities to trade amongst themselves under the PICTA and with Australia and New Zealand. The RTFP has three technical components – Customs implemented by the Oceania Customs Organisation (OCO), Quarantine by the Secretariat of the Pacific Community (SPC) and the Standards & Conformance (Track 2) Integrated Food Standards Project (IFSP) for the Pacific by the World Health Organisation (WHO). In 2008 the PIFS continued to work with the implementing agencies – OCO, SPC and WHO on the implementation of their activities to strengthen and improve customs, quarantine and food standards systems and laws in the FICs. A review of the Programme to assess its implementation and effectiveness was undertaken in April-May. The RTFP Review Report (June 2008) was presented to Forum Trade Ministers Meeting (FTMM) in July 2008. Amongst the Report’s main conclusions were that “the RTFP is well conceived and effective in giving immediate practical content to the PACER. It has achieved identifiable results in the opening of market access for FIC products to Australia and New Zealand through the Quarantine component; and… laying important foundations for trade development through improvements in customs practices. The RTFP has also produced studies in standards and conformance … that provide valuable guide for future developments” … and also acknowledged the important role of IFSP in improving food standards in the region. Given the positive contribution that the RTFP is making, and with strengthened governance system in place, the Report’s main recommendations were to provide continued funding for all the components of the programme to ensure its continued success. The FTMM also established a formal RTFP Steering Committee to have oversight of the RTFP and to consider the implementation of the Report’s recommendations. With 2009 being the final year of the RTFP, a study will be commissioned in early 2009 to develop concrete proposals for addressing capacity needs in the FICs, including in the three areas of the RTFP, for assistance under the region’s proposed Trade Development /Aid for Trade Facility to be considered by donors in 2009.

**PACER Plus**

Over the past years, Forum Trade Ministers have discussed a range of issues relating to the deepening of trade and economic cooperation between the FICs and ANZ, commonly known as ‘PACER Plus’.

At the 2008 FTMM Ministers mandated officials to continue informal discussions on PACER Plus, with three informal meetings being hosted by Australia/New Zealand over the coming year.

At the 2008 Forum Leaders Meeting in Niue, Leaders reaffirmed the continuing importance of pursuing greater economic integration and trade as a regional priority and endorsed the outcomes of the Forum Trade Ministers Meeting in Cook Islands on 22 July and in particular:

- the need for officials to formulate a detailed road map on PACER Plus, with the view to Leaders agreeing at the 2009 Forum to the commencement of negotiations; and
- the strong shared desire and agreement to move forward with PACER Plus by commencing work to build national negotiation capacity of Pacific Islands Countries with support from Australia and New Zealand, recognising the priority placed by Pacific Island Countries on the early appointment of a Chief Trade Advisor.

The second informal meeting on PACER Plus was held in Tonga from 12-14 November 2008. In line with the PACP Trade Ministers direction for the Forum Secretariat ‘to provide assistance to the Forum Island Countries in PACER Plus activities until such time as the CTA is appointed’ the Secretariat supported FICs during the second informal discussions. In recognition of the priority that Forum Trade Ministers attached to the establishment of the CTA Office, members noted that New Zealand
and Australia would provide a formal response to PIFS on the proposal for the establishment of the office of the CTA. The Secretariat would then disseminate those comments to members and on the basis of members’ feedback the proposal would be further developed for distribution to all members prior to the next informal meeting, scheduled for 16-18 February 2009.

### Multilateral Trade Policy

The Programme has been engaged in a number of activities throughout the year relative to multilateral trade policy, especially those pursued through the World Trade Organisation (WTO).

Six Forum Members are also Members of the WTO: Australia, Fiji, New Zealand, Papua New Guinea, Solomon Islands and Tonga. Samoa and Vanuatu are WTO observers and in the process of acceding to the WTO. At the same time, because of its central importance in the international trading system and the formulation of rules governing trade, events in the WTO remain of great interest to all Forum Members. At the meetings of Forum Island Country (FIC) Trade Ministers held during 2008, developments in the WTO’s Doha Round of Multilateral Trade Negotiations were discussed and negotiating positions agreed on issues being considered during the Round on fisheries subsidies and other matters.

Australia and New Zealand each have their own representatives to the WTO based in Geneva, while the Office of the Forum Representative in Geneva caters for the needs of the FICs, especially those which are WTO Members and Observers. To date, the Forum Office has operated under the overall aegis of the Secretariat and largely funded by the European Union, although it was agreed during the year that FIC WTO Members and Observers should steadily take ownership of the Office through making increasing contributions to the operation of the Office.

During the year, the original Forum Representative to the WTO, H E Mr Robert Sisilo, a Solomon Islands national, concluded his term of service and was commended by FIC Trade Ministers for his contribution to the region. He was replaced as Forum Representative by Mr Paulo Kautoke of Tonga. The Representative pursues the mandates given to him by Trade Ministers in promoting FIC interests in the WTO and provides updates and advice to Forum Members on WTO developments as they take place.
The Programme has also been actively exploring how best trade and economic cooperation relations might be promoted regionally between FICs and the People’s Republic of China, the Republic of China/Taiwan and the United States. Studies were commissioned and working groups established to pursue initiatives in 2009.

**Hub and Spoke**

The regional component of the Hub and Spoke Project, administered by the Commonwealth Secretariat, funded largely by the European Commission and based in the Forum Secretariat, aims to promote the effective participation of Pacific Members of the African, Caribbean and Pacific (ACP) Group, the Forum Island Countries, in international trade negotiations and reinforce their capacity to formulate trade policies in compliance with their overall development strategy. This should facilitate the gradual integration into the world economy; thereby contributing to sustainable development and poverty eradication in those countries.

- The Project has three deliverables: training and sensitizing key stakeholders in Pacific ACP (PACP) countries on major trade policy issues;
- Supporting PACP countries in formulating, negotiating and
implementing trade policies; and

• Supporting PACP countries in
  developing national and regional
  consultative networks.

In 2008, Project personnel included
a Regional Trade Policy Advisor
(RTPA), Trade Policy Analyst (TPA) and
Administrative Assistant based at the
Secretariat and TPAs based in national
governments in the Federated States of
Micronesia, Samoa and Tonga. Efforts
continued to finalise the placement
of a TPA in the Government of Papua
New Guinea. TPAs based in national
governments are responsible to and
take directions from those governments
and are supported in carrying out their
duties by Project staff based at the
Secretariat.

Throughout the year, much of the
Project’s focus was on assisting and
supporting PACP Governments in
their Economic Partnership Agreement
(EPA) negotiations with the European
Commission and other regional trade-
related activities. Wherever possible
assistance was also provided to PACP
Governments at the national level in
trade policy formulation and other trade
initiatives, especially those PACP
Governments that do not have their
own TPAs. It is anticipated that work at
the national level will intensify in 2009.

Intellectual Property Rights &
Traditional Knowledge

Notably, 2008 saw advancements in
the Secretariat’s capacity to assist
the FICs in Traditional Knowledge
(TK) issues, an area of keen interest
to them. In March 2008 PACP Trade
Ministers endorsed in principle, a
two-year programme of assistance
that focuses on the implementation of
regional model laws to protect
traditional knowledge and traditional
expressions of culture, in initially, six
FICs (Cook Islands, Fiji, Kiribati, Palau,
PNG, Vanuatu). The initiative is led
by the PIFS in collaboration with the
SPC, SPREP and the World Intellectual
Property Organization. PACP Trade
Ministers also formally endorsed the
Model Law on Traditional Biological
Resources, Innovations and Practices
developed by SPREP, for adoption by
the FICs. The Model Law, one of two
regional frameworks of TK protection,
addresses the protection of the
content or substance of knowledge
resulting from intellectual activity
in a traditional context. It includes
agricultural, environmental and
medicinal knowledge, and knowledge
associated with genetic resources.

On developments in connection to the
creation of an institution to advocate
for and protect TK and Intellectual
Property Rights (IPR) under the
Pacific Plan, Forum Trade Ministers
agreed that the study to consider the
feasibility of establishing such a body
be commissioned and its outcomes
be made available to Ministers for their
consideration in 2009. In other areas, a
regional system for the administration of
trademarks and a draft MOU that would
form the basis of the system continues
to be the subject of on-going regional
discussions.

Forum Representative Office,
Geneva

The bulk of the office is funded by the
EU (90%) and this funding comes to
an end in June 2009. In preparation
the Secretariat undertook a needs-
assessment study which amongst other
things, identified a number of strengths
and achievements of that office over
the last four years of operation. Since
2005, the Geneva Office has developed
expertise in particular areas of interest
to the FICs such as on WTO rules (i.e.,
fisheries subsidies). The Rotational
Representative (RR) programme
managed by the Permanent
Representative (PR) has been very
useful in building the trade-capacities of
FIC capital-based officials. Moreover,
the Geneva Office has built effective
colleagiums with other like-minded
groups allowing the FICs to have
broader representation on issues of
other interests as well as strengthening
their voice in the negotiations. Perhaps,
one of the biggest achievements of the
Geneva Office is, it has lifted the profile
of the FICs in the multilateral trade
arena and allowed them to effectively
pursue their interests – something
that could not have happened without
a Representative office or if they were
to be part of a more generic grouping,
such as the ACP Group or a “small
states” grouping.

The future direction of the Geneva Office
depends on a number of external and
internal issues confronting it. These
include the increase in the number of
Free Trade Agreements (FTAs) being
negotiated by the FICs, the prospects
for the Doha Development Round
negotiations, funding issues, having
adequate and qualified staff, and
support from the FICs.
Cotonou Trade Issues/ Economic Partnership Agreements

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 Euros between the European Commission (EC) and the Pacific ACP States (PACPS) 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. PIFS through the Coordination and Management Unit of PACREIP has prepared and submitted a rider to the EC, requesting the extension of the operational phase of PACREIP for another twelve (12) months, from 30th June 2009 to 30th June 2010. The EC has agreed in principle to the request but a formal approval is not expected until early 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 the following ways:

- consolidation of the PACPS as an integrated regional unit through the establishment of a free trade area covering the PACPS; and
- 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 of PACREIP which was implemented by South Pacific Tourism Organisation (SPTO) now south-pacific travel had concluded on June 30th 2007.

Concept Note – PACREIP II

Following the decision of the PIFS executive, the management and coordination unit of PACREIP prepared a concept Note for PACREIP II, with the objective of securing funding under the EDF 10 Regional Indicative Programme (RIP), to sustain the ongoing work of regional economic integration under PACREIP. The focus of PACREIP II project proposal was the same as the current PACREIP, but with more emphasis on institutional capacity building both at national and regional levels.

Key accomplishments in PSD:

Training of small business development (SBD) agencies on Business Diagnostic Toolkits has been completed in all FICs, and over 700 businesses have now used the Toolkit to assess their businesses. This database of the relative strengths and capability gaps of the local businesses was assessed at two workshops organized by the Private Sector Development Unit (PSDU) in conjunction with the Pacific Islands Private Sector Organisation (PIPSO) that involved the national business development authorities (BDAs) and their equivalent private sector organizations (PSOs). These workshops identified the areas where local businesses are most in need of assistance and provided guidance to the BDAs on where they should be concentrating their efforts. Significant gaps were identified in the ability of most BDAs to provide this assistance. From this, the PSDU has developed a major new project to provide support to the BDAs and the PSOs. A Pacific Centre of Excellence in Business (PCEB) has been proposed as a major extension of the Business Diagnostic Toolkits project. This will operate as a ‘hub and spokes’ network linking individual businesses with ‘on demand’ business advisory services. Provisional funding has been obtained with the project being implemented over 2009.

The Marketing Support Fund (MSF) continues to be a popular source of 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) has provided funding to SMEs for in-house training and training attachments.

Investment Policy Development

The Commonwealth Secretariat has provided funding for the appointment of a full time Investment Adviser in the Economic Governance Programme. The Adviser commenced in June and is implementing a programme of support to assist the relevant agencies in FICs to increase the level of both foreign and domestic investment. The principle element of this is the implementation of an Investment Policy Support Programme (IPSP) that initially involved six FICs (Cook Islands, FSM, Palau, Samoa, Solomon Islands and Vanuatu). These countries will be assisted in the preparation and implementation of an Investment Action Plan (IAP). The Adviser has also provided assistance to Nauru in reviewing the investment environment and preparing investment legislation.

Forum Trade Offices

The Trade Offices in Auckland, Beijing, Sydney and Tokyo provided direct support to the region’s private and public sectors. The support focused primarily on trade facilitation to assist with exports; promotions for product and services; marketing; investment promotion, business facilitation; tourism promotion; technical capacity building; networking, and the dissemination of information.
During the year the Secretariat welcomed two new senior staff to the Beijing and Sydney Trade Offices. Mr Samu Savou (Fiji) is the new Trade Representative in charge of the Pacific Islands Forum Trade Office in Beijing and Mr Caleb Jarvis (Australia) heads the Sydney-based Pacific Islands Trade and Investment Commission.

The Secretariat is grateful for the services of Mr Rohan Ellis who returned to the Cook Islands after almost eight years of service and Mrs Aivu Tauvasa (PNG) who served the PITIC Sydney for almost eleven years.

Pacific Islands Trade and Investment Commission (PITIC) Auckland

The Pacific Islands Trade and Investment Commission (PITIC), Auckland worked with strategic partners New Zealand Pacific Business Council, the Auckland City Council, the Pacific Co-operation Foundation and New Zealand Dive Fish Snow Travel, Samoa Hotel Association, the Ministry of Pacific Island Affairs, Air New Zealand and the Pacific Island Media Association to drive its trade promotion activities including the Pacific Trade Expo, Pasifika Festival, Path2NZ.com, Niue Fakalataha Ki Mua and others. FIC agricultural products were promoted at various culinary events while pacific art was supported through an exhibition at the Okaioceanikart Gallery, Auckland. The Commission took advantage of the Recognized Seasonal Employees (RSE) scheme piloted by the New Zealand in 2007 to support trade and investment opportunities for the pilot countries. Some of the notable in-roads made by the Commission included the organizing of a Financial Literacy Workshop in partnership with the ANZ Bank for seasonal workers from Samoa and Tonga; a business mission to Vanuatu by NZ RSE employers to explore opportunities for joint ventures in agriculture and tourism. The mission was ranked extremely useful by both in-country and visiting participants that the Commission has plans to run similar exercises in other RSE pilot countries.

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. A major revision of its product-specific guides was undertaken to update with current and accurate information. Joint-venture opportunities for inter-regional investment was explored which resulted in an investor mission by PNG officials to their Melanesian counterparts in the tourism (hotels/resorts) and financial services and infrastructure as well as staff and skills training exchange programs between PNG and Vanuatu superannuation funds.

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 organization to participate, exhibit and extend their contact network in Queensland at the 2007 Indigenous Art Festival, “The Dreaming Festival”.

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 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.
Pacific Islands Centre (PIC), Tokyo

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

- management of the Centre’s website;
- participated in renowned events and trade fairs held in Japan, including the facilitation of 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 in the absence of a Pacific Island community in Japan, the PIC placed a lot of emphasis on using the website as a tool to disseminate information. The beginning of this process saw the website undergo substantial changes to make it more user-friendly and pleasant in appearance. The results have seen a marked increase in the number of visits to the PIC website up by 53.6% compared to the same period in 2006. On average the site recorded 900 visits per day. E-commerce was introduced through the introduction of the Virtual Shopping Mall. Japanese tourists had the luxury of visiting FIC hotels on line which was made possible through the introduction of “hotels.com”. PIC Tokyo introduced a new program called “Seminars on FICs” at selected tertiary educational institutions like universities and high schools in Japan in response to requests from the Ministry of Education of Japan. The most challenging tasks for the PIC was to promote the FICs potential for trade, investment and tourism through carefully selected fairs and exhibitions. These included the JATA World Travel Fair, Supermarket Trade Show, Health Ingredients Trade Show and others. The Centre’s Support Program (Attachment Program B) was utilized by nine representatives from FICs for their participation costs in the Supermarket Trade Show. The Program provides FIC exhibitors/participants with accommodation fee and daily allowances during the event. Business Missions to the region including in-country seminars proved extremely useful for Japanese businesspersons who gained firsthand accounts of opportunities for joint ventures with local entrepreneurs. Results of business missions to PNG could see the establishment of a processing factory for dried bonito and the transfer of Japanese experts to the agricultural sector.

Pacific Islands Forum Trade Office (PIFTO), Beijing

The better part of 2008 was spent regrouping, reviewing and assessing strategies and the delivery of services to stakeholders as well as strengthening partnerships with the public and private sectors in China.

The PIFTO was actively involved in Trade and Investment Fairs and Seminars across China to develop Chinese investment interest in the Forum Island Countries (FICs). Outcomes from these events will be realised in 2009 with several delegations approved to travel to the FICs. The investment delegations are expected to cover industries such as Tourism, Agriculture and Fisheries and Construction to name a few.

Support and facilitation services were rendered to the Suzhou Youth Travel Group to realize their 5 star hotel investment in Nadi, Fiji. Construction is expected to commence in mid-2009.

Other notable developments included:-

- a pilot project between PIFTO and the Chinese Scholarship Council which saw seven academic scholarships awarded to a small number of FIC nationals for study in China for the 2008/2009 academic year;
- partnered with PIFS to participate in the Trade, Investment and Tourism Ministerial Economic Development Forum, Xiamen, Fujian Province;
- coordinated in-country programme for visiting consultants to undertake a review of the operations and management of PIFTO;
Strategic Partnership & Coordination Programme
The Strategic Partnerships and Coordination Programme support the regional coordination role of the Forum Secretariat and facilitate the development and nurturing of strategic partnerships and the mobilization of regional resources to implement the regional development priorities as prescribed by the annual meeting of the Forum Leaders.

The key areas of activities under this programme include the coordination and implementation of the priority initiatives of the Pacific Plan; social development policy issues; maintenance of relations amongst regional organizations of the Pacific and with development partners; catering for the special development needs of the smaller islands states; and monitoring of key regional and international issues.

Pacific Plan

Pacific Plan Implementation

The implementation of the Pacific Plan successfully continued over 2008. As highlighted in the 2008 Annual Pacific Plan Report submitted to the Forum Leaders, work continued in implementing initiatives across all four of its pillars, and in particular, in support of Forum Leaders’ 2007 Vava’u Decisions on the Pacific Plan priorities.

While progress varied, a number of key achievements merit specific mention. These include:

a) Progress by members on implementing the 2007 Vava’u Declaration on Fisheries. For example, the Parties to the Nauru Agreement (PNA) adopted a Third Implementing Arrangement, which include stringent conditions of fisheries access that compel foreign fishing vessels to adhere to the same conditions in the high seas as those set for the national waters of PNA member. These developments send a strong message about the Forum members commitment to addressing over-fishing by distant water fishing nations and the serious threat of illegal, unreported and unregulated fishing depleting the region’s tuna stocks.
b) The launching of the Recognised Seasonal Employers’ scheme which has seen around 4,500 people take-up short-term employment in New Zealand in the viticulture and horticultural sectors. In addition to economic benefits flowing to partner countries, this has helped up-skill workers and opened up other development opportunities.

c) The bulk fuel procurement initiative was progressed significantly over 2008, with the adoption and signature of a Memorandum of Understanding (MOU) by three countries. The MOU provides for the establishment of a regional centralized mechanism that will be empowered to negotiate fuels prices on behalf of participating member states base on their accumulative fuel requirements. The initiative is expected to be fully implemented in 2009 with the requisite number of states subscribing to the MOU.

d) The continuing liberalisation of aviation that has provided exciting new opportunities, supported key industries such as tourism, and lent momentum to increasing regional economic integration. Other important developments include the entry into force of the Pacific Islands Air Services Agreement (PIASA) and the commencement of full operations of the Pacific Aviation Safety Office (PASO) to assist members to meet relevant international civil aviation standards.

e) The continuing deregulation in the ICT sector, which has reduced costs to consumers and improved service delivery in a number of countries. For example over the last year, deregulation of the mobile phone market has been highly successful in expanding coverage and reducing user costs in Papua New Guinea and Vanuatu.

f) The strengthening of integrity and accountability has been a major theme. The Pacific Association of Supreme Audit Institutions (PASAI) has agreed to substantially strengthen its Secretariat to assist national audit offices through training, advice, as well as direct service delivery of audit functions. This has been driven by the region’s Auditors-General; and

g) In the priority area of Climate Change, considerable progress has been made in mainstreaming Climate Change concerns and issues at the national level through National Development Plans and Disaster Risk Management Plans, as well as sectoral plans, in particular in the areas of water, and coastal management. Financing options to address climate change efforts are being identified from various sources such as the Global Environment Facility, the European Union, Australia and other partners with steps being taken to improve access to predictable funding options for the region’s priorities.

Despite such progress challenges remain and determined work must continue in 2009 to ensure the ongoing momentum of greater regional cooperation and integration. In moving forward, another key objective will be to address currently pressing issues, notably the global financial crisis, food security and climate change.

As with previous years, Forum Leaders' have directed the prioritization of a number of sectors over 2009 in support of the Pacific Plan as a way of addressing common and very real threats to the People of the Pacific enjoying sustainable social and economic prosperity in a secure and well governed region.

While ranging in scope, Leaders have continued to accord priority to fisheries, energy, trade and economic integration, climate change and transport, in addition to information and communication technology, health, education, and good governance. Land has also been identified by Forum Leaders as an emerging region-wide priority, noting its potential as a source for conflict.

**The Pacific Plan Office**

The Pacific Plan Office continued its support for refining the governance mechanisms that guide the implementation of the Pacific Plan. The annual Pacific Plan priorities setting process was further refined to provide Forum Leaders with key recommendations for consideration on the future direction of the Pacific Plan drawing on the technical expertise of the CROP and the guidance of Forum Members through the Pacific Plan Action Committee.

This has resulted from critical analysis of key risks, issues and challenges facing the region over the short, medium and longer terms involving all of the aforementioned parties and has provided considerable focus in progressing forward the implementation of the Pacific Plan through the Pacific Plan Action Committee which is the
only mechanism in the region bringing together all Forum members and all Heads of CROP to consider the Pacific’s key developmental challenges.

The Pacific Plan Office continued its schedule of monitoring and review of the progress made in the implementation of the Pacific Plan over 2008. This involved significant liaison with Forum members, CROP and other key development partners. These reports are presented to Forum Leaders twice a year for their consideration and have become a valuable tool for demonstrating the progress made in implementing key initiatives as well as those areas where more work is required.

Social Issues

Regional Education Issues

The Forum Education Ministers meeting in 2007 endorsed a comprehensive evaluation of the Forum Basic Education Action Plan (FBEAP) to take place in 2008. The review was undertaken in 2008 with visits to all 14 Forum Island Countries and interviews with almost 200 people. There was an overwhelming support by countries for a regional education framework such as the FBEAP. The main mechanism for implementing the FBEAP is the regional education project PRIDE and this received a vote of confidence in the review. Countries would like a successor to PRIDE once its funding expires. There was also support for continuation of the Forum Education Ministers’ Meetings, of which there have been six since the first one in 2001.

The Forum Secretariat coordinated closely with other development partners in the implementation of some aspects of the FBEAP, like the Pacific Regional Qualifications Register, which the South Pacific Board for Educational Assessment will manage and host. This work will lead to a common currency of qualifications across the region which will facilitate movement between educational institutions and will facilitate greater labour mobility.

The increased interest in labour mobility has lead to greater emphasis on technical and vocational education and training to ensure that there is a supply of trained workers to meet the demand. The regional study on ‘Skilling the Pacific’ was funded by the Asian Development Bank and executed by the Forum Secretariat and was launched in 2008, providing a useful analysis and status report on technical and vocational education in the region.

The emerging social impacts of labour mobility and other programmes of the Secretariat are also being closely monitored and evaluated.

Disability Issues

Since the establishment of the post of the Disability Coordination Officer (DCO) at the Secretariat, greater coordination and management of disability issues has been provided to member countries. The DCO has worked closely with national focal contacts on disability issues to develop their national disability policies and legislative framework and to prepare them fulfill their obligations under international conventions on disability issues.

The DCO has also supported work of the Pacific Disability Forum (PDF) and represented the Secretariat at a consultation meeting in Sydney with the Australian Disability Task Force on the Australian Disability Strategy for Asia and the Pacific. He also presented a paper titled “disability a cause and consequence of poverty” at the Australian Disability and Development Consortium in Canberra in October.

Gender Equality

Investing in gender equality is central to sustainable development and the attainment of human and political security, good governance and the management of resources. Thus it is a critical and cross-cutting consideration in development policy and planning. As such, under strategic objective 8 of the Pacific Plan, gender equality is highlighted as an overarching objective across the plan to ensure sustainable development for our members.

In 2008, the Secretariat made tremendous strides towards honoring the 2007 Leaders’ decisions on “exploring more ways and opportunities
in decision making particularly for women”. Together with other key development agencies, the Secretariat convened the first sub-regional workshop for Melanesian countries on special measures for women in Papua New Guinea. In addition to this a key resource book was produced in collaboration with the UNDP Pacific Centre “A Guide to Temporary Special Measures” which included country by country options and examples of model special measures. This resource book was the first of its kind for the Pacific region. Further initiatives are planned for 2009. A number of communication materials on supporting women in parliaments and gender and land were also published and are all available on the Secretariat website.

The Secretariat continues to ensure gender issues remains a critical area of policy and planning and more concerted efforts need to be targeted to advancing gender equality in the region in accordance with regional and international gender commitments.

**Relations with Partners**

**Development Assistance**

The Paris Declaration on Aid Effectiveness (2005) and its regional counterpart, the Pacific Principles on Aid Effectiveness adopted in 2007 prescribe key principles that should govern the relationship between the development partners and the donor recipient countries on the delivery of aid and development assistance in the region.

As part of the revised format for the post forum dialogue, the Pacific Island Countries - Development Partners (PIC-Partners) Meeting, traditionally held back to back with the Forum Economic Ministers Meeting (FEMM), was convened for the first time as a stand alone meeting in 2008. Its agenda was also expanded to not only focus on the outcomes of the FEMM but to consider the regional development priorities as identified by the Leaders meeting and other sectoral ministerial meetings.

The PIC-Partners meeting in 2008 considered what further assistance and contributions of development partners to the implementation of the Pacific Plan, in particular along the five priority areas endorsed by Forum Leaders in 2007. A matrix was developed documenting the respective contributions of the development partners to the Pacific Plan priorities and other priorities identified by other sectoral ministerial meetings.

A Pacific Regional Workshop on Aid Effectiveness was held immediately prior to the PIC-Partners meeting in 2008 to considered progress in implementation of the Pacific Principles on Aid Effectiveness. Discussions focused on constraints, good practice and lessons learnt in implementing the Pacific and Paris Principles on Aid Effectiveness, incorporation of these principles into policies and practices at country level, and their resource implications and streamlining mechanisms at country level. The workshop was also held to facilitate discussions around preparations and issues for the Third High Level Forum on Aid Effectiveness (HLF-3), 2-4 September 2008, Accra, Ghana.
The Secretariat was represented at the HLF-3 which was convened to solicit stronger international commitment to achieve the Paris Declaration’s 2010 targets, through agreement on more urgent and detailed action in key areas of aid effectiveness. Specifically, the Accra Agenda for Action calls for strengthened and more specific action in ‘strengthening country ownership for development’, ‘building more effective and inclusive partnerships for development’, and ‘delivering and accounting for development results’.

**Partnerships under Pacific Plan**

The Secretariat continued to advocate 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 within the United Nations system. This has assisted to secure the United Nations Secretary General’s recognition of sustainable development being measured in the Pacific by way of the Pacific Plan reports instead of only through the United Nations Department of Economic and Social Affairs (UNDESA) on the basis of international strategies including the Barbados Programme of Action and the Mauritius Strategy of Implementation. 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 Post Forum Dialogue (PFD) partners.

The Secretariat continued in 2008 to support members, on request, in their engagement in relevant international meetings. This has included, amongst others, the an annual UNESCAP Commission meeting; the Commission on Sustainable Development; the United Nations General Assembly; and other UN related meetings.

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 Barbados Plan of Action and Mauritius Strategy of Implementation 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 Secretariat is developing a template for Pacific Partnerships that validates the credibility of regional partnerships set up to implement regional priorities identified and endorsed by Ministers and Leaders and reflected in the Pacific Plan and/or the Leaders Communiqué. This will be based on a review of the existing partnership mechanisms in the region including the CROP working groups. This is an important step in being able to formalise a model for ‘partnerships’ in the region.

The strengthening of bilateral relationships with many of the PFD partners has also been a part of implementing the new PFD process and has been successful thus far with considerable satisfaction expressed by PFD partners. 2008 saw the first high level meeting, at ministerial level, between the Forum’s Troika and that of the EU’s. The first high level meeting between Pacific Islands Forum members and Italy was also conducted in 2008.

In addition other interested partners seeking strengthened relationships with the region held high level meetings with Forum members including a Ministerial Meeting with Turkey and Ambassadorial meetings with Cuba and Austria.

The links between the new PFD process and the PIC Partners meeting have been strengthened with Leaders agreeing that progressive steps towards Post-Forum Dialogue Partner status should include initial engagement in the Pacific Island Countries and Development Partners’ Meeting, before a comprehensive analysis of their application for Post-Forum Dialogue status is undertaken.
In addition the Secretariat will be developing, for Leaders’ consideration, a mechanism to reassess Post-Forum Dialogue partnership status for existing Post-Forum Dialogue Partners with a view to ensuring continued relevance of all Post-Forum Dialogue Partners over time.

The Forum and other Regional Organizations

Two CROP Executives Meetings were held successfully in March and June 2008. CROP Executives are now acknowledged as the most senior technical advisory body to Pacific Plan Action Committee (PPAC). This has resulted in a more transparent process of CROP engagement in the region’s prioritisation processes.

Building on the need for continued improvement in the coordination within CROP as well as with other partners in the region, CROP Executives commissioned a review into the CROP working groups and other partnership mechanisms in the region. The findings of the review will be considered by CROP Executives in 2009. 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 2009.

High Level Conferences were conducted between senior executives of both PIFS and SPC in line with the spirit of the RIF. This has resulted in better alignment of the work of both organisations and the transfer of technical components of work from the PIFS to the SPC in particular in the areas of ICT and transport.

Smaller Islands States Issues

SIS Unit

The Smaller Island States (SIS) Unit within the Secretariat continues to play a supportive role in implementing the SIS Leaders’ decisions and support address the special requirements SIS. The Unit worked closely with the other programmes of the Secretariat and the CROP agencies to implement the SIS Leaders decisions and advancing SIS sub-regional initiatives.

The key SIS initiatives that the SIS Unit continued to focus on includes sub-regional shipping and air services; labour mobility; bulk procurement of fuel and pharmaceuticals; development financing; renewable energy; emerging health issues; and regional meteorological services.

The SIS Leaders agreed for the use of Kiribati shipping vessels to provide shipping services connecting Fiji, Tuvalu, Kiribati and Nauru as a short term solution to the shipping service requirements of the participating states. Further agreed was reached for the Secretariat in collaboration with the Secretariat of the Pacific Community (SPC) to pursue the two other longer term options, namely the procurement of a purpose built ship to service these countries and the establishment of a regional shipping service commission that would regulate the provision of shipping services to the participating countries.

Disappointing progress was made on the sub-regional air service initiative despite the high importance accorded to it by the SIS Leaders. This was due principally to the lack of commitments and lack of data on definitive air service requirements of potential participating countries. The SIS Unit completed a survey of these requirements in early 2008 and the survey outcomes were discussed at the SIS Leaders meeting in Niue.

A study on the sub-regional development financing mechanism was completed in June 2008. The study examined the financing needs of the SIS, existing available financing services in these countries and the potential role of setting up a sub-regional financing institution to support the development financing needs of the SIS. SIS Leaders tasked the Secretariat to consult widely on the recommendations of the study and make suggestions on the future course of this initiative and work on this initiative will continue in 2009.

Access to regular, timely, and quality weather and climate information is of extreme importance to people in the Pacific. In recent years, there has been increasing interest in the provision of better meteorological services in the region. At their meeting in Tonga in 2007, the SIS Leaders called for the immediate strengthening of regional and national institutions and services for monitoring and communicating weather, climate and extreme events to support basic livelihood, wellbeing and security of the Pacific people. They called on the Secretariat in collaboration with SPREP and SOPAC, to review
current arrangements and propose options for sustainable service delivery in this crucial area.

In response to this directive, the Secretariat formed a Technical Working Group comprising representatives from PIFS, SPREP, SOPAC, WMO, Cook Islands (as the current Chair of the Regional Meteorological Service Directors F), Fiji Meteorological Service and Australian Bureau of Meteorology. The TWG developed a roadmap towards the implementation of the SIS Leaders directive which included a consultancy commissioned by the Secretariat to consider options for the provision of meteorological services in the region. The SIS Leaders in 2008 in Niue discussed the report of this technical working and concluded that the Secretariat, in close collaboration with SPREP and SOPAC, continues with the search for a practical regional collaborative solution to build the resilience of the Pacific region in monitoring the weather and climate extremes.

**SIS Pacific Plan Desk Officers**

The Secretariat continues to support the positions of the Pacific Plan desk officers for the SIS. The desk officers’ positions in Nauru and RMI were the only two positions that were vacant during the year but attempts will be made to fill these positions in 2009. The Secretariat, and the other CROP agencies and the SIS governments have continued to benefit directly from the services of these desk offices. These desk offices have continued to provide an invaluable link with the countries and the CROP agencies, and support the capacities of the SIS governments; particularly in increasing their accessibility to available regional programmes to support their respective development initiatives.

**Pacific Regional Assistance to Nauru (PRAN)**

The PRAN was developed pursuant to a directive from the Forum Leaders’ in 2004. It was designed to assist the Government of Nauru in its financial and economic recovery and reform efforts as a result of unprecedented financial and economic crisis.

The Secretariat, with financial contribution from several development partners, supports Nauru in the placement of a number of key experts in several line positions in government critical to the economic recovery of Nauru. The positions supported in 2008 under PRAN include; Secretary Foreign Affairs; Planning Specialist; Secretary for Justice; Resident Magistrate; and a Resource Specialist.

**Special Purpose Funds**

The Secretariat through its strategic partnerships programme is also responsible for the coordination and management of several funds with specific purposes, provided to the Secretariat on trust for the benefits of member countries. These include the European Development Fund Technical Cooperation Facility; Japan-Pacific Islands Development Cooperation Facility; Short Term Advisory Service; Forum Secretariat Fellowship Scheme; the Taiwan/Republic of China-Pacific Islands Forum Scholarship Scheme; and the Regional Natural Disaster Relief Fund.

Under the Taiwan/Republic of China-PIF Scholarship Scheme, at the end of 2008, 21 students were enrolled at six campuses campus across the region, namely, USP Laucala Campus, USP Emalus Campus, USP Alafua Campus, the Fiji School of Medicine, the Fiji Institute of Technology and the College of Micronesia. The breakdown of current awards by country are as follows; Fiji (3), FSM (1), Kiribati (2), Nauru (1), Niue (2), RMI (2), Samoa (1), Solomon Islands (4), Tuvalu (4) and Vanuatu (1).

**10th European Development Fund**

The Secretary General as Regional Authorising Officer signed on 15th November, 2008 the Regional Strategy Paper and Regional Indicative Programme for the 10th European Development Fund (EDF), together with the EC Commissioner for Development Luis Michel. The 10th EDF has a financial envelop amounting to 95 million euro for the period of 2008 to 2013 and allocated to two focal areas namely the regional economic integration (45 million euro) and the sustainable management of natural resources and the environment (40 million euro). There is also a non focal area to support the participation of non state actors and capacity building measures with an allocation of 10 million euro.

The programming stage of the 10th EDF will intensify in 2009 with funding under the new cycle of EU funding expected towards end of 2009. The office of the Secretary General continues to be the Regional Authorising
Officer under 10th EDF and is supported by the TA Support Unit to the RAO.

Media Unit

The Media Unit, staffed by two Media Officers, continues to build understanding and support, and maintain a positive image for the Forum and the Forum Secretariat. The means for disseminating information include the Secretariat’s website: www.forumsec.org, a quarterly publication, Niu Pasifika with a focus on the implementation of the Pacific Plan, a monthly radio programme, the Forum Report; press statements and other promotional materials. The Unit also coordinated the printing of the 2007 PIFS annual report and the 2009 PIFS Diary. A survey was conducted towards the end of the year with the users of the website and the findings will be used for an upgrade of the site in 2009. A survey was also conducted on the monthly radio programme earlier in the year and recommendations have been implemented including more coverage on what other CROP agencies are doing and news snippets at the end of each programme. The Media Unit assisted the Pacific Islands News Association (PINA) coordinate the Forum Media Workshop held during the Forum Leaders’ meeting in August in Niue. Work has also started on developing a communication strategy for PIFS which is expected to be ready in 2009.
Corporate Services
The Corporate Services Programme plays a crucial role in the delivery of the Forum Secretariat’s services to members through providing the organisation with a full range of services in the areas of Organisational Development, HR and Administration, Financial Services, Information Services, Information Technology and Property Services. The Corporate Services Teams provide the support, service and infrastructure necessary for the Forum Secretariat to pursue its goals, while at the same time strive to 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 institutional strengthening through a series of strategic corporate reforms to refocus the energy and commitment of the Secretariat to ensure continued effectiveness and efficiency in the delivery of services to members.

A new Corporate Plan was developed in consultation with members and other stakeholders for the five year period 2008 to 2012. The new plan streamlined and rationalised the previous nine programmes into four more focused and strategic programmes: two in the areas of economic governance, and political governance and security where the Forum Secretariat provides direct policy advice; the other two relate to the regional coordination role of the Secretariat and Corporate Services.
Supporting the Corporate Plan, strategic plans were developed for each of the four programmes, namely: Economic Governance; Political Governance and Security; Strategic Partnerships and Coordination; and Corporate Services. These are three year plans with set out priorities, detailed objectives, outputs and activities (with indicators and means of verification) for implementation over a three-year timeframe, and include a three-year budget.

The 2009 annual work programme and budget formats were redeveloped to provide more clarity for members and stronger linkages to both the new Corporate Plan and the programme strategic plans. A framework for reporting and monitoring against the plans was drafted and will form the basis for a new evaluation methodology for the Secretariat.

Further institutional strengthening occurred through a review of the organisational structure to ensure that the organisation had the human resources required to implement its plans; and the development of a funding strategy to facilitate the necessary financial resources.

At the operational level, significant opportunities for the Secretariat to enhance its financial planning, monitoring and reporting were realised through implementation of a new finance and budgeting system. This system will also enhance productivity of not only the Finance Team but also across the Secretariat more broadly as phase II of the implementation occurs in 2010.

Organisational development through delivery of training continues to be a priority, with a number of in-house workshops offered during the year covering: project management; business and policy writing; customer services; performance management including giving and receiving feedback; time and stress management; and communication and presentation skills. In-house training is proving to be cost-effective and participation rates are high.

A Corporate Lawyer has been taken on with the assistance of VIDA (Volunteering for International Development from Australia). This has been a positive experience for both the Secretariat and the individual involved.

Improving what we do and how we do it is a key area where Corporate Services contributes to organisational effectiveness. Significant progress was also made with respect to the detailed documentation of the Secretariat’s finance policies and procedures, which will be finalised with a review of the Finance regulations also scheduled for 2010. A revision of the Secretariat’s Staff regulations was supported by the Forum Officials Committee (FOC) at its December meeting, paving the way for a complete overhaul of the associated HR policies and procedures. A system for publishing the policies and procedures on the intranet has been designed which will make the information readily accessible by staff and other stakeholders.

In Information Services, digitisation of the library and registry material continues and is providing opportunities for streamlining of processes as well as providing research material “on-the-desktop” for staff. Protecting our intellectual property is paramount: new server was purchased for storage of the digital collection; and the depository policy was developed and has been implemented.

Communication internally and externally has been strengthened through ongoing development of our information technology infrastructure. Additional bandwidth, at competitive rates, has been purchased which has improved our access to the internet and email. The internal network has been reinforced with new switch gear and wireless access to the internet is now available for visitors to the Secretariat.

Three long serving staff retired at the end of 2008, each with in excess of 30 years service. Their contribution was celebrated at the staff Christmas luncheon and we wish them a long and happy retirement with their family and friends.
2008 Audited Accounts
Secretary General’s Statement

In the opinion of the Secretary General:

(a) the accompanying consolidated income and expenditure statement is drawn up so as to give a true and fair view of the results of the organisation for the year ended 31 December 2008,

(b) the accompanying balance sheet is drawn up so as to give a true and fair view of the state of the organisation’s affairs as at 31 December 2008,

(c) the accompanying statement of changes in funds is drawn up so as to give a true and fair view of the movement in funds of the organisation for the year ended 31 December 2008, and

(d) the accompanying statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the organisation for the year ended 31 December 2008.

Dated at Suva this 18th day of June 2009

Tuiloma Neroni Slade
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 (Secretariat) for the
financial year ended 31 December 2008, consisting of the Consolidated Income and Expenditure
Statement, 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 16 to 20. 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 based 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
2008 and of the results and cash flows of the Secretariat for the year ended on that date;

(b) give the information required by the Secretariat’s Finance regulations 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.

Savu, Fiji Islands
18 June, 2009

KPMG
Chartered Accountants
### Consolidated Income and Expenditure Statement

**For the Year Ended 31 December 2008**

<table>
<thead>
<tr>
<th>Note</th>
<th>2008 revised budget $</th>
<th>2008 actual $</th>
<th>2007 actual $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions from Member Countries</td>
<td>2</td>
<td>3,471,979</td>
<td>3,502,979</td>
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<tr>
<td>Interest</td>
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<td>586,671</td>
<td>471,640</td>
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<td>Other income</td>
<td>3</td>
<td>726,082</td>
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<td>Trust fund income</td>
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<td>27,667,883</td>
<td>20,463,028</td>
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<tr>
<td>Benefits derived from property, plant and equipment</td>
<td></td>
<td>-</td>
<td>310,304</td>
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<tr>
<td><strong>Total Income</strong></td>
<td></td>
<td>32,452,615</td>
<td>24,984,642</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
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<td></td>
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<tr>
<td>Economic Governance</td>
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<td>12,004,785</td>
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<td>Political and Security Governance</td>
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<td>Policy Coordination and Advice</td>
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<td>1,242,675</td>
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<tr>
<td>Stakeholder Coordination and Support</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Strategic Partnerships</td>
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<td>3,479,447</td>
<td>3,766,192</td>
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<td>Special Projects</td>
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<td>534,649</td>
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<td>Corporate Services</td>
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<td>2,979,189</td>
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<td>Management of the Secretariat</td>
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<td>1,375,924</td>
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<tr>
<td><strong>Total Expenditure</strong></td>
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<td>25,721,406</td>
<td>25,645,956</td>
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<tr>
<td><strong>Transfer to Trust Fund</strong></td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Foreign exchange (loss)/gain</td>
<td></td>
<td>-</td>
<td>(800,624)</td>
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<tr>
<td><strong>Deficit of Income over Expenditure</strong></td>
<td></td>
<td>6,731,209</td>
<td>(1,461,938)</td>
</tr>
</tbody>
</table>

For the Notes, please refer to a copy of the 2008 Audited Accounts on the Forum Secretariat website; www.forumsec.org
General Fund Income and Expenditure Statement
For the Year Ended 31 December 2008

<table>
<thead>
<tr>
<th>Note</th>
<th>2008 revised budget</th>
<th>2008 actual</th>
<th>2007 actual</th>
</tr>
</thead>
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<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions from Member Countries</td>
<td>2</td>
<td>3,471,979</td>
<td>3,502,979</td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td>586,671</td>
<td>466,415</td>
</tr>
<tr>
<td>Other income</td>
<td>3</td>
<td>726,082</td>
<td>236,691</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,784,732</td>
<td>4,206,085</td>
</tr>
<tr>
<td>Expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Governance</td>
<td>4(a)</td>
<td>105,581</td>
<td>102,024</td>
</tr>
<tr>
<td>Political and Security Governance</td>
<td>4(b)</td>
<td>75,187</td>
<td>76,770</td>
</tr>
<tr>
<td>Policy Coordination and Advice</td>
<td>4(c)</td>
<td>34,283</td>
<td>35,763</td>
</tr>
<tr>
<td>Stakeholder Coordination and Support</td>
<td>4(d)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Strategic Partnerships</td>
<td>4(e)</td>
<td>228,883</td>
<td>236,235</td>
</tr>
<tr>
<td>Special Projects</td>
<td>4(f)</td>
<td>196,987</td>
<td>184,874</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>4(g)</td>
<td>2,767,887</td>
<td>1,959,873</td>
</tr>
<tr>
<td>Management of the Secretariat</td>
<td>4(h)</td>
<td>1,375,924</td>
<td>1,507,136</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4,784,732</td>
<td>4,102,675</td>
</tr>
<tr>
<td>Transfer to Trust Fund</td>
<td>-</td>
<td>-</td>
<td>658,318</td>
</tr>
<tr>
<td>Foreign exchange (loss)/gain</td>
<td>-</td>
<td>(800,624)</td>
<td>229,997</td>
</tr>
<tr>
<td>Surplus/ (Deficit) of Income over Expenditure</td>
<td>-</td>
<td>(697,214)</td>
<td>343,536</td>
</tr>
</tbody>
</table>

For the Notes, please refer to a copy of the 2008 Audited Accounts on the Forum Secretariat website; www.forumsec.org
### Trust Fund Income and Expenditure Statement

For the Year Ended 31 December 2008

<table>
<thead>
<tr>
<th>Note</th>
<th>2008 revised budget</th>
<th>2008 actual</th>
<th>2007 actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust fund income</td>
<td>5</td>
<td>27,667,883</td>
<td>20,463,028</td>
</tr>
<tr>
<td>Benefits Derived from Property, Plant and Equipment</td>
<td></td>
<td>310,304</td>
<td>337,940</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td></td>
<td>27,667,883</td>
<td>20,773,332</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Governance</td>
<td></td>
<td>11,899,204</td>
<td>12,237,867</td>
</tr>
<tr>
<td>Political and Security Governance</td>
<td></td>
<td>3,798,732</td>
<td>3,773,899</td>
</tr>
<tr>
<td>Policy Coordination and Advice</td>
<td></td>
<td>1,439,210</td>
<td>1,206,912</td>
</tr>
<tr>
<td>Stakeholder Coordination and Support</td>
<td>-</td>
<td>-</td>
<td>380,196</td>
</tr>
<tr>
<td>Strategic Partnerships</td>
<td></td>
<td>3,250,564</td>
<td>3,529,957</td>
</tr>
<tr>
<td>Special Projects</td>
<td></td>
<td>337,662</td>
<td>273,040</td>
</tr>
<tr>
<td>Corporate Services</td>
<td></td>
<td>211,302</td>
<td>521,606</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td></td>
<td>20,936,674</td>
<td>21,543,281</td>
</tr>
<tr>
<td><strong>Deficit of Income over Expenditure</strong></td>
<td></td>
<td>6,731,209</td>
<td>(769,949)</td>
</tr>
</tbody>
</table>

For the Notes, please refer to a copy of the 2008 Audited Accounts on the Forum Secretariat website; [www.forumsec.org](http://www.forumsec.org)
Reserve Fund Income and Expenditure Statement
For the Year Ended 31 December 2008

<table>
<thead>
<tr>
<th></th>
<th>2008 $</th>
<th>2007 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Earned</td>
<td>5,225</td>
<td>5,123</td>
</tr>
<tr>
<td>Total Income Received</td>
<td>5,225</td>
<td>5,123</td>
</tr>
<tr>
<td>Expenditure</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Surplus of Income over Expenditure</td>
<td>5,225</td>
<td>5,123</td>
</tr>
</tbody>
</table>

For the Notes, please refer to a copy of the 2008 Audited Accounts on the Forum Secretariat website; www.forumsec.org
Balance Sheet
As at 31 December 2008

<table>
<thead>
<tr>
<th>Note</th>
<th>2008 $</th>
<th>2007 $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash at Bank and on Hand</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inventories</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Receivables – Members</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other receivables and prepayments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Current Assets</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>11,350,998</td>
<td>12,290,394</td>
</tr>
<tr>
<td>7</td>
<td>13,965</td>
<td>23,187</td>
</tr>
<tr>
<td>8</td>
<td>60,697</td>
<td>33,035</td>
</tr>
<tr>
<td>9</td>
<td>385,523</td>
<td>349,692</td>
</tr>
<tr>
<td></td>
<td>11,811,183</td>
<td>12,696,308</td>
</tr>
<tr>
<td></td>
<td>Non-current Assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Property, plant and equipment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Intangible assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Non-current Assets</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>8,169,873</td>
<td>8,508,646</td>
</tr>
<tr>
<td>11</td>
<td>162,670</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>8,332,543</td>
<td>8,508,646</td>
</tr>
<tr>
<td></td>
<td>Total Assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Current Liabilities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Current Payables</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Contributions Received in Advance – Trust Fund</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Current Liabilities</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>1,828,803</td>
<td>1,127,243</td>
</tr>
<tr>
<td>13</td>
<td>8,624,696</td>
<td>9,394,645</td>
</tr>
<tr>
<td></td>
<td>10,453,499</td>
<td>10,521,888</td>
</tr>
<tr>
<td></td>
<td>Net Assets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accumulated and Reserve Funds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>General Fund</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reserve Fund</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capital Reserve</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total Accumulated and Reserve Funds</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>2,905,386</td>
<td>3,602,600</td>
</tr>
<tr>
<td>11</td>
<td>266,456</td>
<td>261,231</td>
</tr>
<tr>
<td>12</td>
<td>6,518,385</td>
<td>6,819,235</td>
</tr>
<tr>
<td></td>
<td>9,690,227</td>
<td>10,683,066</td>
</tr>
</tbody>
</table>

Signed in accordance with a resolution of the Secretariat.

Tulima Neroni Slade  Stephanie Jones
Secretary General    Director Corporate Services

For the Notes, please refer to a copy of the 2008 Audited Accounts on the Forum Secretariat website; www.forumsec.org
Statement of Changes in Funds

For the Year Ended 31 December 2008

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>General Fund</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the beginning of the year</td>
<td>3,602,600</td>
<td>3,259,064</td>
</tr>
<tr>
<td>Surplus (Deficit) of income over expenditure</td>
<td>(697,214)</td>
<td>343,536</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>2,905,386</td>
<td>3,602,600</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>261,231</td>
<td>256,108</td>
</tr>
<tr>
<td>Surplus of income over expenditure</td>
<td>5,225</td>
<td>5,123</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>266,456</td>
<td>261,231</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>6,819,235</td>
<td>7,054,740</td>
</tr>
<tr>
<td>Purchase of XB assets</td>
<td>9,454</td>
<td>102,435</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(310,304)</td>
<td>(337,940)</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>6,518,385</td>
<td>6,819,235</td>
</tr>
</tbody>
</table>

This statement is to be read in conjunction with the notes to and forming part of these financial statements set out in a copy of the 2008 Audited Accounts on the Forum Secretariat website; www.forumsec.org
Statement of Cash Flows
For the year ended 31 December 2008

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions from member countries</td>
<td>3,336,735</td>
<td>2,279,734</td>
</tr>
<tr>
<td>Trust Fund Income</td>
<td>20,463,028</td>
<td>19,647,574</td>
</tr>
<tr>
<td>Programme and project costs</td>
<td>(20,933,158)</td>
<td>(22,340,851)</td>
</tr>
<tr>
<td>Other operational costs</td>
<td>(3,352,459)</td>
<td>(4,953,577)</td>
</tr>
<tr>
<td>Interest received</td>
<td>458,292</td>
<td>872,785</td>
</tr>
<tr>
<td>Rent and other income</td>
<td>347,564</td>
<td>806,328</td>
</tr>
<tr>
<td>Realised exchange gain (loss)</td>
<td>16,184</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>336,186</td>
<td>(3,688,007)</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |        |        |
| Proceeds from sale of property, plant and equipment | - | 3,000 |
| Payments for property, plant and equipment        | (458,774) | (314,553) |
| **Net cash outflow from investing activities** | (458,774) | (311,553) |
| **Effect on exchange rate changes**               | (816,808) | 229,997 |
| **Net decrease in cash held**                     | (939,396) | (3,769,563) |
| Cash at the beginning of the year                 | 12,290,394 | 16,059,957 |
| Cash at the end of the year                       | 11,350,998 | 12,290,394 |

This statement is to be read in conjunction with the notes to and forming part of these financial statements set out in a copy of the 2008 Audited Accounts on the Forum Secretariat website; www.forumsec.org
Notes