



PACIFIC ISLANDS FORUM SECRETARIAT

2019 FORUM ECONOMIC MINISTERS MEETING

Pacific Islands Forum Secretariat Conference Centre, Suva, Fiji

8-9 May 2019

2019 FEMM ACTION PLAN

The 22nd Forum Economic Ministers Meeting (FEMM) was held at the Forum Secretariat in Suva, Fiji on 8-9 May 2019, and was chaired by the Honourable David Adeang, Minister for Finance of the Republic of Nauru. The theme of the Forum Economic Ministers Meeting was “*Towards a Resilient and Sustainable Pacific*”.

2. The following Forum Member Countries were represented: Australia, Cook Islands, the Federated States of Micronesia, Fiji, French Polynesia, Kiribati, Nauru, New Caledonia, New Zealand, Palau, Papua New Guinea, the Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

3. FEMM Observer representatives included: the Asian Development Bank (ADB), the Economic and Social Commission for Asia and the Pacific (ESCAP), the European Commission's Delegation for the Pacific (EU), the International Monetary Fund Resident Representative Office (IMF), the Pacific Financial Technical Assistance Centre (PFTAC), the Pacific Association of Supreme Audit Institutions (PASAI), the Pacific Islands Private Sector Organisation (PIPSO), the Pacific Community (SPC), the Secretariat of the Pacific Regional Environmental Programme (SPREP), the South Pacific Tourism Organisation (SPTO), the United Nations Development Programme (UNDP), the University of the South Pacific (USP), and the World Bank Group (WBG).

4. Representatives of the Private Sector and Civil Society Organisations from the region also held a dialogue with Forum Economic Ministers on Thursday, 9 May 2019.

5. The 2nd Development Partners Roundtable with Forum Economic Ministers was convened on 9 May 2019.

EMERGING ECONOMIC ISSUES – IMPLICATIONS FOR PACIFIC ECONOMIES

6. The Forum Secretariat presented a paper on the Emerging Economic issues of Forum Island Countries, for information and discussion. The paper noted that global economic growth for 2019 and 2020 is positive, but is expected to weaken in the first half of 2019. It noted that the evolving global economic dynamics and challenges posed by the identified downside risks can derail the projected global economic growth and Forum Island Countries (FIC)s’ trading partners outlook. Further, that the domestic structural vulnerabilities coupled with high debt

levels and limited fiscal space, would magnify the impact of global economic shocks and impacts from natural hazards risks.

7. The FEMM reaffirmed the importance of: building resilience to climate change and disaster shocks; finding a balance between the financing national infrastructure and sustainable national debt; managing the volatility on financial markets as a result of US-China trade dispute and its impact on the FICs' offshore investment (through national trust and sovereign funds); improving inflows of remittance and seek support of development partners in addressing correspondence banking relationships and operation of Pacific Money Transfer Operators operating in major remitting economies; and, building policy foresight to deal with any probable future upswings in global food and fuel prices.

8. The FEMM further noted that remittance costs remain under pressure in the Pacific, due particularly to de-risking which continues to be a driver of remittance market challenges in the region. Economic Ministers urged relevant development partners, as well as PIF members to continue seeking domestic, regional and international solutions to address issues related to de-risking and cost of remittances to the Pacific.

9. Forum Economic Ministers recognised the need to:

- a. **Undertake** regional analyses on the comparison of the governance, portfolio management and returns of national trust funds;
- b. **Consider** FICs' vulnerabilities in the IMF-WBG Debt Sustainability Analyses; and
- c. **Encourage** country and regional initiatives that broadens economic base and activities, including improved food security through agriculture, strengthened human capital through investment in education and health, improved connectivity to propel trade, tourism and digital economy, and enhance capacity for meeting the growing energy needs.

THE PACIFIC RESILIENCE FACILITY

10. The FEMM noted the significant progress made on the Pacific Resilience Facility (PRF) following its endorsement by Forum Economic Ministers and Forum Leaders, in 2018. Forum Economic Ministers commended the Forum Secretariat and the FEMM endorsed PRF Technical Working Group on guiding and providing technical support since the 2018 FEMM.

11. Forum Economic Ministers:

- a. **Acknowledged** the funding support from Australia (Department of Foreign Affairs and Trade) to progress the FEMM decision related to the PRF;
- b. **Discussed** and **noted** progress-to-date on the following: (1) Purpose and Objectives; (2) Point of Difference and niche focus; (3) Typology and/or character; (4) Governance and domicile arrangements; (5) Capitalisation; (6) Contribution Policy; (7) Allocation Policy; and (8) Financial Products; and
- c. **Welcomed** the opportunity for further consultation with Forum member countries and development partners, and further development of the proposal before the *Special*

Forum Economic Ministers Meeting to be held in July 2019 at the Forum Secretariat in Suva, to decide on the immediate and medium-term steps for the proposed owned and led PRF initiative of PIF Members.

CO-INVESTMENT: ATTRACTING INVESTMENT IN LONG TERM INFRASTRUCTURE DEVELOPMENT

12. The FEMM discussed the work done by the Pacific Islands Investment Forum (PIIF) on co-investment of infrastructure development in the Pacific region, since the 2018 FEMM. They acknowledged the interest expressed by the PIIF to co-invest through pooling part of their investible funds in the region. As well, to further advance and explore opportunities for collaboration and co-investment, the PIIF emphasised the support of Forum Economic Ministers as essential.

13. The FEMM noted the PIIF co-investment proposal as an opportunity to bridge the financing gap on infrastructure and private sector development in the region, noting that their combined assets and portfolios are currently estimated at USD50 billion.

14. Forum Economic Ministers:

- a. **Noted** progress on co-investment initiative led by the Pacific Islands Investment Forum (PIIF), and particularly in the following areas:
 - i. Identification of regulatory investment barriers to PIIF member funds investing in Pacific jurisdictions;
 - ii. Clarification of infrastructure investment pipeline, noting further work is required on those infrastructure projects; and
 - iii. The establishment of a regional co-investment vehicle for PIIF member funds, and the potential for exploring investment infrastructure opportunities with governments, private sector, and donors/agencies.
- b. **Welcomed** the initiative by PIIF member funds to invest in Pacific infrastructure opportunities;
- c. **Endorsed** the following (short-term) next steps to be led by PIIF, and supported by the Forum Secretariat:
 - i. Establishment of a PIIF Secretariat function, including the responsibility for progressing research and liaison with governments (and donors/agencies);
 - ii. Engagement with Pacific islands governments around the potential for tax and other regulatory exemption(s) for PIIF member funds, and/or a Special Purpose Vehicle (SPV) comprising PIIF member funds;
 - iii. Liaising more closely with governments (and donors/agencies) to identify infrastructure projects that are yet to be announced and/or had finance/funding confirmed, in order to explore co-investment opportunities for PIIF members (or an SPV), and alternative engagement models such as Public Investment

model, to help create a clear and viable role for PIIF member funds in infrastructure investment;

iv. Engagement with donors/agencies to progress and realise the co-investment SPV concept; and

d. **Directed** PIIF and the Forum Secretariat to report back on the progress on Co-investment initiative at the 2020 FEMM.

CLIMATE CHANGE AND DISASTER RISK FINANCE: ‘LEVERAGING THE TRIPLE DIVIDEND OF RESILIENCE’

15. The FEMM noted that over the last decade FICs have accessed USD1.1 billion in climate finance, of which 48% was from bilateral sources and 52% from multilateral sources. While the FEMM has historically focused on increasing *access* to international climate and disaster risk finance, Forum Economic Ministers underscored the importance of increasing the focus on the ‘effectiveness’ of climate finance. The influx of additional finance has had significant implications on Ministries of Finance, including their expanded role in development decisions and related, increased administrative burden. A large proportion of these additional funds are not channelled through the central agency systems, and in some cases, negatively impact implementation effectiveness and policy coherence.

16. In light of growing economic, social, and environmental risks, FEMM noted that it is crucial to evaluate the effectiveness of climate finance modalities, systems, and implementation results to date to ensure a clear understanding of the progress that has been made. This is also important because global climate finance flows are expected to increase from the current estimated US\$60 billion per year to the agreed global commitment of US\$100 billion per year by 2020. Forum Economic Ministers highlighted that efforts to fully track the *effectiveness* of climate finance remain in their infancy in the region. Revised and robust national financial management and planning systems are required to increase tracking capability. Revised FICs national systems will help them invest more strategically in initiatives that build resilience. The FEMM also noted the concept of the ‘triple-dividend’ of resilience as a conceptual tool for evaluating the effectiveness and efficiency of resilient investments.

17. Forum Economic Ministers:

a. **Requested** the Forum Secretariat to work with partners to assist with strengthening FICs national capacity for resilient investments through an approach guided by criteria of the ‘*triple dividend of resilience*’ concept and based on the findings of the *PCCFAF* reports;

b. **Agreed** to establish a revised approach for assessing PFM systems through expanding the current PEFA diagnostic outputs to include indicators that assess expenditure effectiveness of climate change finance;

c. **Tasked** the Forum Secretariat to work with PFTAC, Member countries, and partners to progress the work outlined in paragraph 17(b) and provide an update to the 2020 FEMM;

- d. **Agreed** to scale up regional and national efforts to track the effectiveness of climate finance flows in order to increase the responsiveness, agility, and transparency of government service delivery and **tasked** the Forum Secretariat to support this regional effort through the development, provision, and deployment of relevant tools (such as *Climate Budget Tracking*) as well as targeted assistance for national PFM system reform; and
- e. **Agreed** that the Forum Secretariat will continue to work with partners such as PIPSO and national Chambers of Commerce to expand the opportunities, capacity, and resources required to accelerate the delivery of resilient development priorities in keeping with the 2018 FEMM decision.

PACIFIC ISLANDS CLIMATE CHANGE INSURANCE FACILITY (PICCIF)

18. In 2018, the FEMM directed the PICCIF Taskforce (including CROP and other partners) to further advance the work on PICCIF. Efforts by SPREP in 2019 have identified partners and a funding agreement is expected to be signed in 2019. The funds will allow the PICCIF Expert Group to meet and implement key actions required to progress development of the concept.

19. Forum Economic Ministers **noted** the progress report and the intent of the PICCIF Taskforce to develop the PICCIF concept for consideration in 2020.

SPECIFIC ISSUES ARISING RELATED TO FEMM STANDING AGENDA ITEMS & OTHER FEMM RELATED ISSUES

20. Updates on the Governance and Financing of Regional Statistics, and the Pacific Roadmap for Sustainable Development were considered by the FEMM. In relation to *Governance and Financing of Regional Statistics*, Forum Economic Ministers:

- a. **Noted** the update on regional statistics development activities conducted in the region over the last 12 months;
- b. **Reaffirmed** their support for additional and sufficient funding commitments to meet the target of US\$224 million by both national governments and development partners for the conduct of the core statistical collections in the 5-year programme from 2019 to 2023, in order to provide the necessary data required for reporting under the 2030 Agenda for Sustainable Development;
- c. **Endorsed** that a mid-term review of TYPSS Phase 3 takes place at the end of 2019 with the objective to inform the development of a regional strategic framework TYPSS 2021-2030 for consideration as the overarching governance framework for regional statistics development at the next HOPS Meeting in 2020; and
- d. **Recognised** the implementation of the Pacific Statistics Governance Framework and its five main components [(i) Forum Economic Ministers Meeting (FEMM); (ii) Heads of Planning and Statistics (HOPS); (iii) Pacific Statistics Standing Committee (PSSC); (iv) Pacific Statistics Methods Board (PSMB); and (v) Donor and Development

Partners Group (DDPG)] as the framework that will guide regional statistics development and how member countries, donors and development partners should collaborate with each other.

21. On the *Implementation of the Pacific Roadmap for Sustainable Development*, Forum Economic Ministers:

- a. **Noted** the progress in implementing the Pacific Roadmap for Sustainable Development including support to 6 Pacific countries prepare their Voluntary National Reviews on SDGs, the endorsement by Pacific Leaders in 2018 of the 1st Quadrennial Pacific Sustainable Development Report (PSDR) and the establishment of the Pacific Steering Committee for Sustainable Development;
- b. **Tasked** the Pacific Steering Committee for Sustainable Development, in collaboration with FEMM Officials, to consider and prioritise actions for Economic Ministers emerging from the recommendations in the first quadrennial PSDR, and report back to the FEMM in 2020; and
- c. **Supported** a coordinated Forum approach to the range of high-level meetings in 2019, including the UN High Level Political Forum on Sustainable Development; UN High Level Forum on Accelerating the implementation of the 2030 Agenda for Sustainable Development; UN Climate Change Summit; and S.A.M.O.A Pathway High Level Midterm Review, 27 September 2019; and **tasked** the FOC Sub-Committee on International Engagement and Advocacy to coordinate regional efforts in this regard.

22. The FEMM considered issues in relation to *EU Non-Cooperative Tax Jurisdiction*.

23. Forum Economic Ministers:

- a. **Agreed** that Forum Island countries work collectively in seeking further clarifications, information and expressing their concerns to the EU directly and at appropriate fora;
- b. **Directed** PIFS, through its relationship with the ACP, to seek further information from the EU on behalf of relevant PIF members on details of the requirements and processes to be followed to be delisted; and
- c. **Tasked** PIFS to work with members to prepare a strong statement to be issued through the PIF Chair expressing strong concerns with the unilateral approach adopted by EU in applying the listing criterion.

24. The FEMM also discussed *Access to IDA and ADF Resources by Forum Island Countries*.

- a. Forum Economic Ministers **noted** Fiji's experience on accessing the IDA resources from the World Bank Group (WBG) under the Small Islands Exception and **agreed** to pursue, as a collective, more concessional finance (including grant resources) from IDA and ADF for all FICs.

RELEASE OF 2019 FEMM PAPERS

25. Forum Economic Ministers **supported** the recommended document release classifications.

NEXT FEMM

26. Forum Economic Ministers:

- a. **Recalled** the Charter for FEMM and **noted** that the 2020 FEMM will be convened at the Forum Secretariat, Suva; and,
- b. **Re-affirmed** their decision at the 2018 FEMM in relation to Vanuatu's offer to host the 2021 FEMM.

FEMM STANDING AGENDA ITEMS

27. The Forum Economic Ministers **noted** the updates on the FEMM Standing Items.

FEMM MINISTERIAL RETREAT

28. Forum Economic Ministers discussed the opportunities and the collective benefits to further strengthen the resilience of the Blue Pacific, including a commitment to pursue a "regional tourism initiative." To support this proposal, Forum Economic Ministers **agreed** to conduct a feasibility assessment, including the benefits as well as costs accruing to peoples and place across the region. The issues and opportunities for strengthened intra-regional labour mobility, noting the SIS Leaders priority on labour mobility, and the opportunities to strengthen regional cooperation were also discussed, Ministers also shared their national-level actions to address NCDs through various health and wellbeing initiatives, including developing programmes in youth and sport.

DIALOGUE BETWEEN ECONOMIC MINISTERS AND THE PRIVATE SECTOR AND THE CIVIL SOCIETY ORGANISATIONS

29. Forum Economic Ministers, Private Sector representatives and CSOs held joint dialogue on Thursday, 9 May 2019. The outcomes of the dialogue is attached as **ANNEX 1**.

2nd DEVELOPMENT PARTNERS ROUNDTABLE WITH FORUM ECONOMIC MINISTERS

30. The 2nd Development Partners Roundtable with Forum Economic Ministers was convened in the margins of FEMM on Thursday, 9 May 2019.

31. Forum Economic Ministers **outlined** the sustainable and resilient development priorities for the region, within the context of the *1st Quarennial Pacific Sustainable*

Development Report endorsed by Forum Leaders in 2018, as well as an update on the progress of the proposal for the Pacific Resilience Facility (PRF). Development Partners indicated their alignment to and support of the Pacific's resilience agenda under the *Framework for Resilient Development in the Pacific* through Pacific Resilience Partnership, as well as support and a willingness to remain engaged with PRF as it progresses.

ANNEX 1:

OUTCOMES OF THE DIALOGUE OF ECONOMIC MINISTERS, PRIVATE SECTOR AND CIVIL SOCIETY ORGANISATIONS

Thursday, 9 May 2019

I. PRIVATE SECTOR DIALOGUE WITH ECONOMIC MINISTERS

1. The Pacific Private Sector Dialogue with the Forum Economic Ministers was held on 9 May 2019. The Dialogue considered critical issues of the regional private sector, which focussed on:
 - Accessing climate financing including resilient infrastructure finance, building standards, and insurance products; and
 - The Pacific Australia Card.
2. The meeting reiterated the importance of business continuity in the event of disasters, to enable quick economic recovery and stability. The meeting underscored the need for:
 - easy to access affordable and appropriate insurance products, including micro-insurance for the MSMEs noting their importance to the national economies;
 - modern and customised building codes to ensure physical assets withstand expected intensity of extreme climate change and natural hazard risk events; and,
 - easy and quick intra-Forum travel could generate for both national and regional trade and investment flows.
3. The Economic Ministers and regional Private Sector Representatives:
 - a. **Committed** to enhanced engagement with the Private Sector in the climate and related infrastructure financing discussions and decision making at the national and regional levels;
 - b. **Committed** to strengthen households and MSMEs' resilience across the region, in relation to, access to finance, capacity development, and affordable and appropriate insurance products (including, micro-insurance);
 - c. **Tasked** the Secretariat to continue engaging the Private Sector in the further development of Pacific Resilience Facility;
 - d. **Requested** the Pacific Regional Infrastructure Facility (PRIF) to report to 2020 FEMM and Private Sector Dialogue, with an update on its work on improving building codes and standards in the region;
 - e. **Welcomed** Australia's commitment to a Pacific-Australia Card, which is expected to be launched this year;

- f. **Endorsed** and **launched** the Pacific Regional Tender Portal and **requested** the CROP agencies and Member governments to use the portal, and the Forum Secretariat to socialise the portal across the region; and,
- g. **Noted** the importance of the Pacific Islands Private Sector Organisation (PIPSO) and the ongoing PIPSO review, and **called** for additional financing to enable full and effective private sector representation.

II. CIVIL SOCIETY ORGANISATIONS DIALOGUE WITH ECONOMIC MINISTERS

1. Civil Society thanked the FEMM Chair and Ministers for the opportunity to engage in the FEMM, in the spirit of inclusivity, equity, equality and partnership embodied in the Framework for Pacific Regionalism.
2. Forum Economic Ministers noted with concern the CSOs call for a moratorium on Deep-Seas Mining (DSM). Ministers asserted that DSM is a sovereign issue to be decided by countries. However, Ministers and CSOs agreed that an independent regional study on DSM and its implication for Pacific economies, the environment and ocean biodiversity, and livelihoods of people, would provide evidence-based information to inform policy decisions of countries on DSM.
3. Economic Ministers and the Civil Society Organisations:
 - a. **endorsed** the CSO dialogue with Forum Economic Ministers as a permanent feature of the FEMM;
 - b. **noted** the progress on the establishment of the Pacific Sports Physical Activity Physical Education (PSPAPE) Action Plan 2019-2030 through the Pacific Regional Sports Taskforce; and **endorsed** the final report of the research conducted on *'Maximising the Contribution of Sports to Economic and social development of Pacific Island countries: The Case of Fiji and Samoa'*;
 - c. **noted** the progress on the regional youth employment initiative, and **welcomed** the proposed work plan going forward;
 - d. **supported** the intention of CSOs to undertake a study in collaboration with relevant partners, on the cost of violence against women and girls on the Pacific economy focusing in particular on resilience building for ending all forms of violence against women and girls, and the practical solutions of reducing the costs of violence, and report back to FEMM in 2020;
 - e. **acknowledged** the intention of CSOs to undertake an independent feasibility study in collaboration with relevant partners, on the impacts of seabed mineral harvesting and exploration in their respective jurisdictions;
 - f. **welcomed** and **noted** the inclusion of civil society representation within the design of the Pacific Resilience Facility (PRF):

- i. CSO representation in the governance, disbursement and monitoring of funds under the community grants;
- ii. a social accountability mechanism ensuring all funds accessed benefit communities;
and
- iii. gender responsive design to include prevention of, and protection from all forms of violence against women and girls and provision of essential services including comprehensive sexual and reproductive health rights and support services.